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Chain Store Age

GENERAL MERCHANDISE TRENDS NOVEMBER 1987

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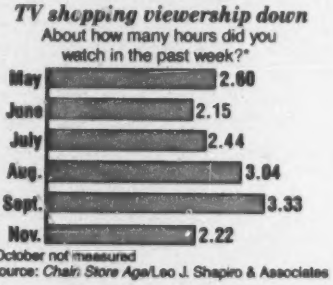
TV shopping viewership down

Home television shopping viewership is down to one of its lowest levels in the last six months. Both the number of households watching and the number of hours that the average family is watching the new format hit near-record lows in the latest *Chain Store Age*/Leo J. Shapiro & Associates nationwide poll.

Though 42% of the families in the poll report that they have watched a TV shopping show at least once, only 29% of the survey households say they have watched one of the home shopping programs within the last week. This compares to the average 38% who reported watching over the summer months.



And those who are watching, are watching less, according to the survey. On the average, TV shoppers say that they viewed about 2.2 hours of programming in the previous week. This compares to the average 3 hours or more recorded in the two previous polls.

Just as keeping the customer in the store longer will boost sales for traditional retailers, the longer a customer watches TV shopping, the more likely she is to buy. On the average, those who bought from a TV seller watched 4.6 hours of programming, compared to 1.9 hours for non-buyers.

What are TV shoppers buying? According to the most recent *Chain Store Age*/Shapiro survey, electronics and jewelry are the current top sellers. Of families who say they have bought merchandise from one of the TV sellers, 29% report buying jewelry. Another 6.9% say they bought a home electronics product.

Zayre woos the frequent shopper

Zayre's is taking a leaf out of the airline industry's book with a new Frequent Z point of purchase club for consumers.

The program awards consumers points for all merchandise purchased at the 375-store discount chain. As these points accumulate, the consumers can use them toward the purchase of special items from the Frequent Z catalog.

The pilot program, which will ultimately involve 51 stores, was launched in four Zayre's units last month prior to an anticipated chain roll-out next spring.

Special greeters at the participating stores in Cleveland, Greensboro/Winton-Salem, N.C., Tampa/St. Petersburg, Fla. and Memphis, Tenn. distributed membership cards, information brochures and catalogs to customers. After the introductory period, these materials will be available at the Zayre's customer service desk on request.

To become a club member, customers need only fill in their name and address to receive a card. Group membership cards, all with the same identification number, are also available so that points can be pooled toward a group award.

All members will be given 3,000 bonus points with their first purchase. Additional points will be added instantly with every purchase. The 375-store chain has incorporated a sophisticated software system into its check-put registers that will electronically calculate the number of points awarded at the time of purchase and automatically provide a current accumulated point total.

Sunbeam acts to abandon rebates

Sunbeam Appliance Co. has joined the growing ranks of small appliance producers who are abandoning rebates.

Sunbeam president James J. Connors has advised key retailers by letter that the company will reduce the number of rebates offered to one or two in 1988, and will eliminate them entirely in 1989.

Connors pointed out that Sunbeam had reduced the number of rebates offered in each of the past three years. He added that consumers have convinced Sunbeam that it should accelerate this trend and eliminate rebates entirely.

Connors emphasized that the decision on rebates applied to all Sunbeam-brand kitchen appliances, garment care products and personal care appiances. Other companies within the Allegheny International family who market Sunbeam-branded products will disclose their plans in due course.

National Presto, Black & Decker and Hamilton Beach are other small appliance makers who have dropped or are dropping rebates.

Package sets enter new bed/bath arena

Retailers may find new opportunities for multiple sales in the sets of blankets and bath accessories now entering the market.

Saturday Knight Ltd. is entering the mass market this month with a discounters' version of the Bath in a Box series that debuted this month in department and specialty stores.

One set includes a shower curtain, hooks, tumbler, tooth brush holder and soap dish for a $30 to $35 retail. The other set, which sells for $60 to $65, features a shower curtain, hooks, two ceramic pieces and three towels.

Customers who perceive better value in the sets are right, says Saturday Knight's Stephen Novick. "They're selling for a little less than the sum of the parts," he says.

Meanwhile, Beacon is introducing packages that contain multiple blankets or a blanket and a bed spread.

The movement toward packaging in multiples is an outgrowth of the success of sheet sets and "twofer" sales.

Customers finding new places to buy

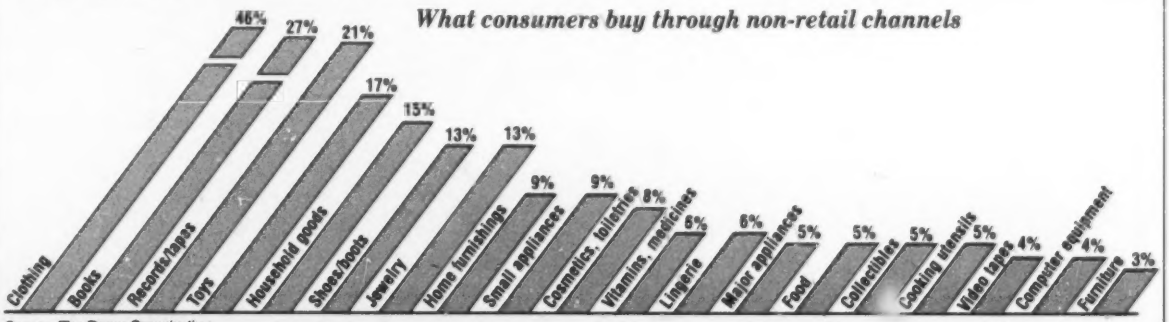
Customers are buying more without ever walking into a retail store, says *The Public Pulse*, a Roper Organization publication. Within the past three months, the pollster reports that more than half of all adults bought something without going into a regular retail outlet.

What did they buy? Apparel topped the list in the most recent poll, named by 46% of all direct response customers. Following were books (27%), records/tapes/compact discs (21%) and toys (17%). Also cited were small appliances (9%), major appliances (5%), cooking utensils (5%) and video tapes (4%).

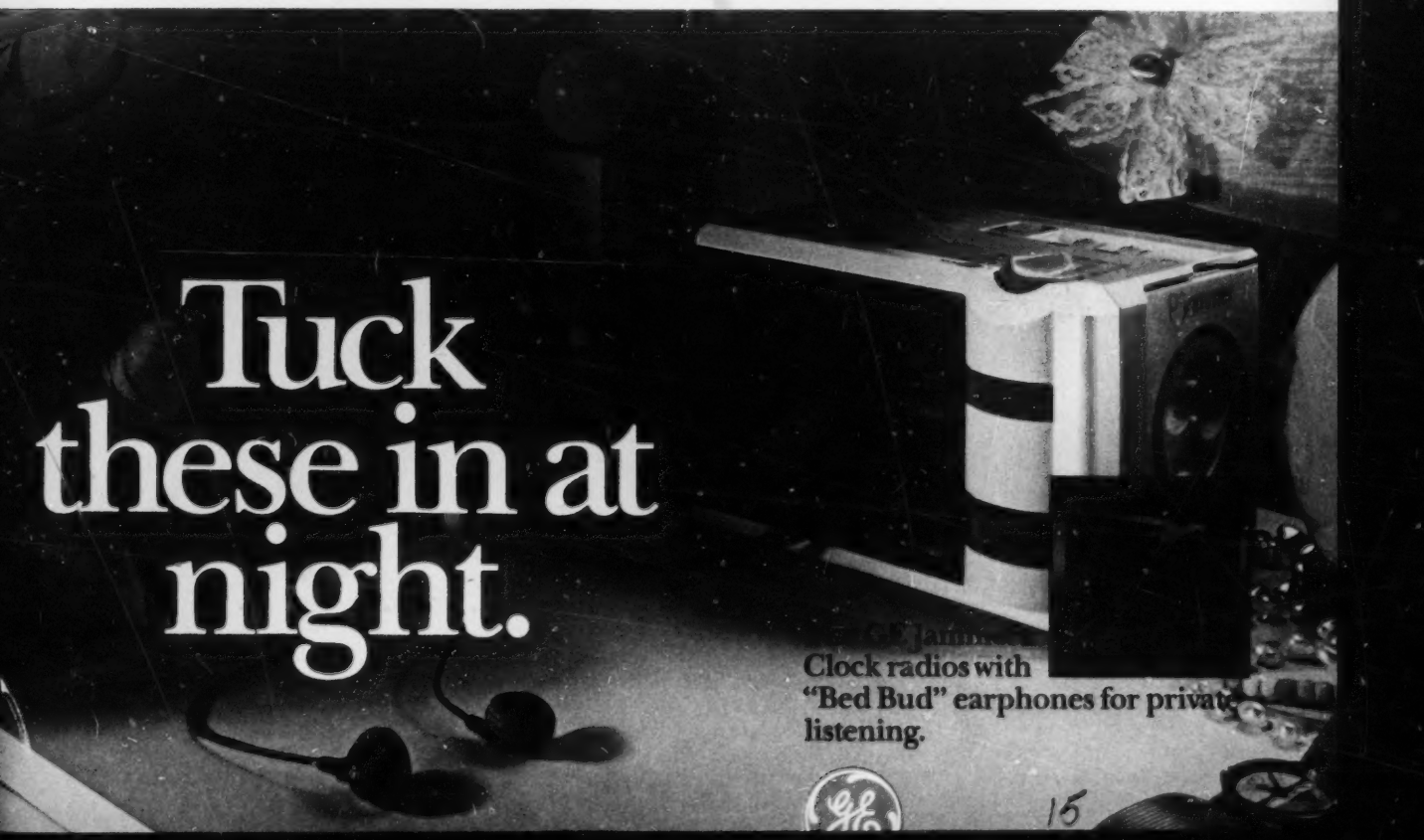
Looking ahead, the pollster predicts that products with the best chance to post direct response sales gains this year include linens, towels, collectibles and personal computer equipment.

Mail order catalogs were the way most direct response customers shopped, according to Roper. Fully 62% of direct response consumers ordered from a catalog. In second place with 38% were department store catalogs. The popularity of both types of catalogs has increased since 1986. Toll-free telephone numbers, however, are the fastest growing ordering device, says Roper.

What consumers buy through non-retail channels



Source: The Roper Organization



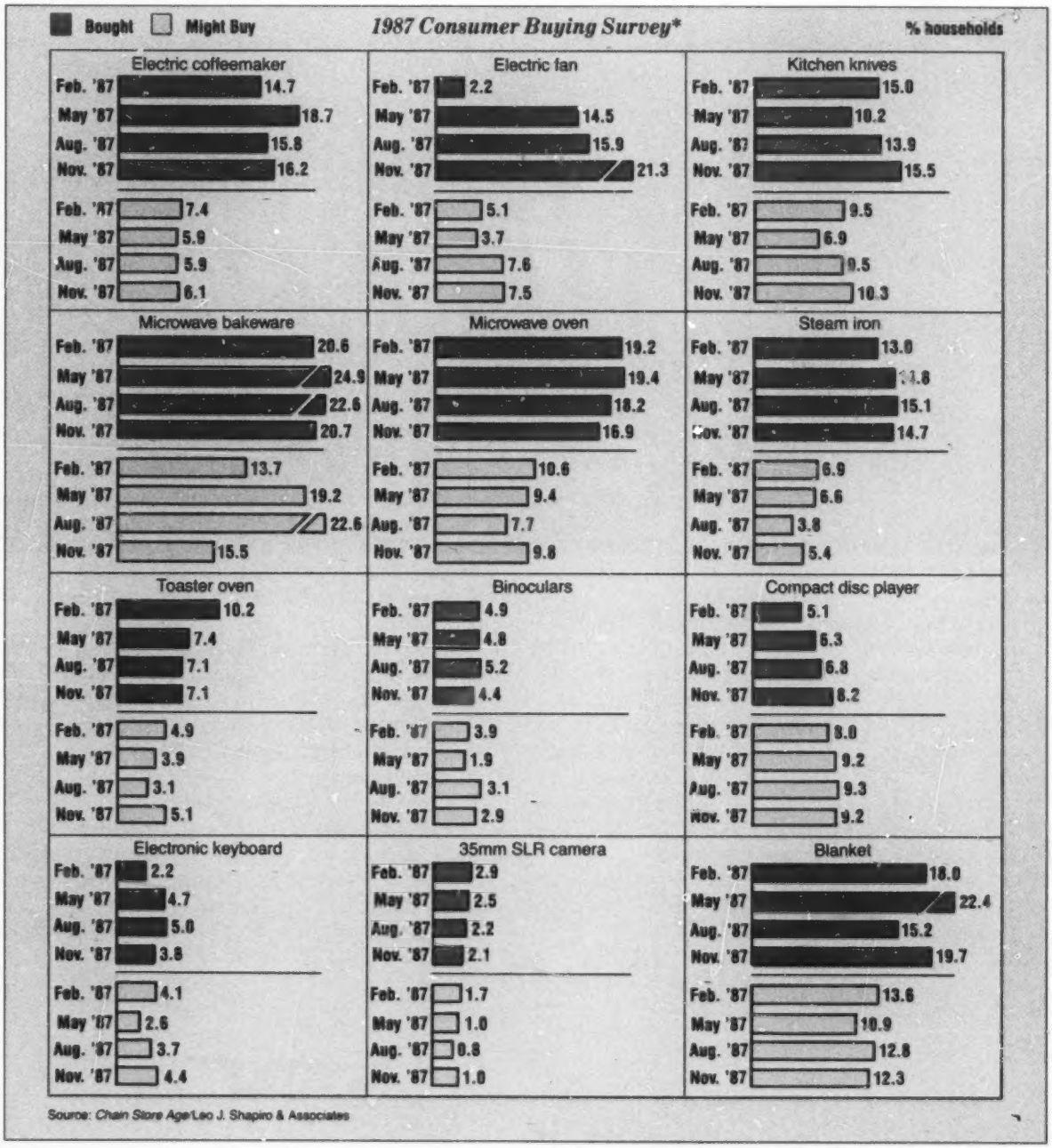
Small gain in home store departments

The next 12 months will bring only single-digit sales increases for most home store departments. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, home electronics and housewares departments in particular will have trouble posting more than modest gains in 1988. Photo categories will have problems keeping up even at that reduced pace.

What is ailing photo departments is painfully clear in the most recent nationwide survey. Since last November, the number of MarkeTrends families reporting they recently bought a 35mm SLR camera has slipped from almost 3% of all families a year ago to only slightly more than 2% in the latest poll.

And the trend gives every indication of continuing. Compared to year-ago readings, 28% fewer MarkeTrends families expect to buy a single-lens reflex camera in 1988.

In home electronics, two of the departments recent hottest products—VCRs and CD players—are set for some cooling off, according to the MarkeTrends poll. Video cas-



Source: *Chain Store Age*/Leo J. Shapiro & Associates

sette recorder sales already have reached a plateau this year, and look as if they will stay at that level—or slightly below—next year.

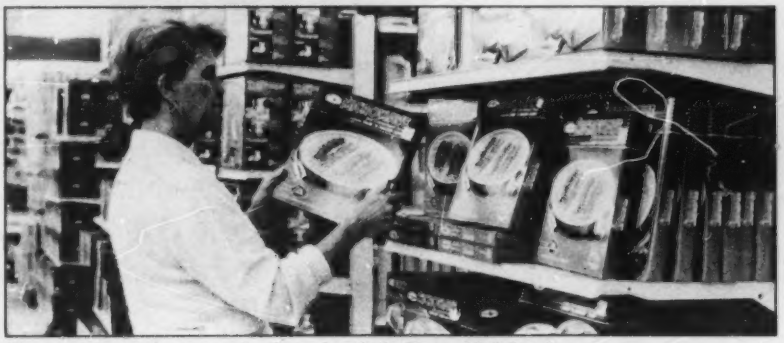
Compact disc player sales soon will level off, too, says the MarkeTrends survey. Though CD player sales have trended upward throughout 1987, future buying plans have not gained a jot in the last six months.

With smaller sales contributions from both VCRs and compact disc players in 1988, electronics departments will have trouble posting real gains any higher than single digits.

One of the few comers in electronics are musical keyboards. Both sales and future buying plans have been growing all year.

Housewares departments, meanwhile, will have a harder time of it next year. Future demand for electric coffeemakers, as measured in the MarekTrends poll, is down about 5% from totals recorded a year ago.

Buying plans for steam irons are down, too. Though sales have remained steady throughout 1987, the latest survey indicates that about 11% fewer families think they will buy a steam iron in 1988.



Microwave cookware sales have leveled off at a high level.

Interest in buying microwave bakeware is down considerably from the high the category hit last February, but is still about 19% ahead of readings taken a year ago.

The results suggest that sales of bakeware for the microwave will continue at relatively high levels, but that any more growth will be hard to come by.

Microwave ovens themselves will experience nearly exactly the same sales path. Customer interest in buying a new microwave was highest in the February survey, but now is running at a level 5% above last year's totals.

The housewares department will have its stars, however. Demand for kitchen knives has been growing steadily for the last 12 months. In the most recent survey, buying plans post their third consecutive quarterly gain, and are running 39% above year-ago levels. Also scoring an impressive gain are electric fans. □

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SELLING THE SECOND AND THIRD VCR

Eight percent of households now have two video recorders—2% own three. Thirty-nine percent of those who definitely will buy a VCR next year already have one.

Video cassette recorder sales in 1988 will have trouble besting this year's volume. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, VCR sales next year will hover at about 12 million units, or just about equal to their performance in 1987.

Sales next year will come in only slightly above the 11.8 million units the Electronics Industries Association reports were shipped to dealers in 1986.

With nearly 59% of MarkeTrends families reporting that they already own at least one video cassette recorder (8% of the total say that they own two VCRs, another 2% own three), the market is quickly evolving into a replacement business.

According to the latest nationwide telephone survey, 39% of those who say they "definitely" will buy a VCR next year already own a video recorder. Twenty-one percent of those who think they "probably" will purchase in 1988 have VCRs now. Fifty-six percent of those who say that they "may" buy next year are current video recorder owners.

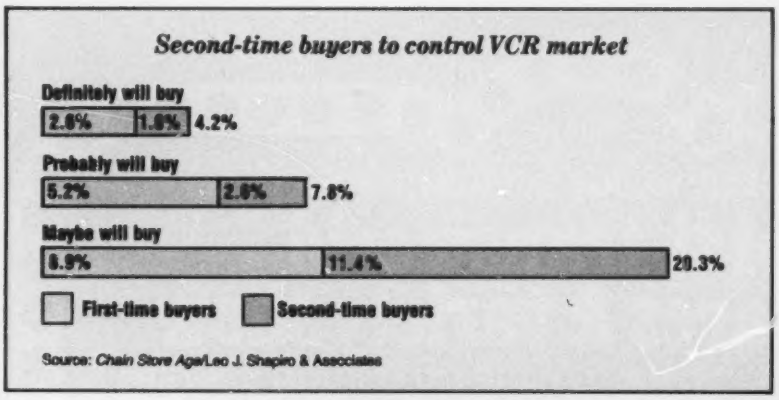
Just how important second-and even third-time buyers will be in the VCR market perhaps will come as a surprise to some in the industry.

According to the MarkeTrends poll, second-time buyers will account for 70% of all VCR sales next year with a price tag of $500 or more. For recorders priced at $600 or more, 60% of all sales will be in the replacement market.

On the average, VCR owners report that they paid $435 for their first recorder. When they buy a replacement, according to the MarkeTrends survey, they expect to pay $462.

In reality, calling the new situation a replacement market is a misnomer. In the current MarkeTrends poll, fewer than 1 in 25 of the families that already own a VCR say that they will ditch the old recorder when they buy a new one.

Instead, the survey families report that the old recorder will go to the living room (29%), bedroom (17%) or family room (13%). The new VCR, interestingly, will most likely end up in



Beta just won't die

Perhaps to everyone's surprise, Beta just will not go quietly away. Though the format's popularity slips yet another notch in the latest MarkeTrends poll, about 1 in 20 customers is still loyal to Sony's original video recording format.

Asked which format their next VCR will use, 5.3% of the MarkeTrends families choose Beta. The great majority, or 79.4%, pick VHS, while 1.3% select 8mm, Sony's other try at a video format. Another 13.9% do not answer.

A year ago, 8.5% of the survey families picked Beta, 2.8% chose 8mm, 56.8% selected VHS, and 31.9% did not answer.

Beta's biggest fans, according to the poll, are among those who shopped for their last VCR at one of the department stores or at an audio/electronics specialty outlet. Beta was a strong performer in both channels of distribution, so it is likely that the format's remaining boosters are families looking to replace an older Beta machine.

For comparison, 8mm's popularity is highest among those who bought a VCR at a discount or electronics specialty store. Eight-millimeter's downscale image, not to mention its now frequent appearances on close-outs such as TV's Cable Value Network, must be a major disappointment for Sony, which originally had tried to create an upscale image for the format.

one of the very same rooms.

What appears to be happening is this: if the old VCR is in the living room, it will be moved to a bedroom; if the old recorder is in the bedroom, it will be moved out to the living room, and the new one put in the bedroom in its place.

Wherever the new VCR ends up, one thing is sure. The new recorder will be more highly featured than the old one. More than half of VCR owners (55%) say that they want more features the next time out.

In particular, *CSA* asked the MarkeTrends families if they wanted nine different VCR features, ranging from wireless remote to special effects and one-touch recording.

When the answers were totalled, it was hard to find a feature that current VCR owners did not want the second time around. For example, 97% of current owners say that they want wireless remote control the next time.

Ninety-four percent want cable compatibility. Eighty-one percent expect to buy a stereo hi-fi recorder the next time. Seventy-nine percent express a positive opinion on a feature as arcane as four video recording heads.

Though second-time buyers have a good feel for what features their next VCR will have, they are less

VCR sales will be strongest in both the Pacific and East South Central regions.

sure, according to the MarkeTrends poll, as to what brand it will be. More than 1 in 3 of the survey families do not name the brand they expect to buy.

Among those who do have a preference, however, Panasonic leads the list, named by 12% as the brand they expect to buy. Following are RCA (8%), Sony (7%), Fisher (5%) and Zenith (4%).

When it comes to picking the store where they will buy a VCR, second-time purchasers are more likely to name an electronics specialty store than are first-time buyers. In the poll, 38% of second-time buyers name one of the specialists, compared to 31% of first-time buyers.

Instead, first-time buyers are more likely to say they will make their VCR purchase at a discount store (6% for first-timers vs. 4% for second-timers), or at either Sears, Penney or Montgomery Ward (6% compared to 5%). Both groups, however, are equally likely to name a department store (6%) or a catalog showroom (2%).

Though nationwide sales next year will match this year's results, according to the MarkeTrends survey, volume will vary significantly region by region.

Sales will be strongest in the Pacific and East South Central parts of the country. New England will experience extremely weak sales, according to the poll. The West North Central region will also ring up mediocre results, compared to the rest of the country.

Smaller cities (under 1 million population) and their suburbs will ring up bigger VCR sales than will the big cities, according to the MarkeTrends poll. Rural areas will post weak results. □

Good future ahead for Super-VHS

Better picture quality—the kind Super-VHS can deliver—is something customers both want and will pay for. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, some customers will pay as much as $300 extra for a VCR that creates a better video picture.

That news is especially good for Super-VHS. Though the newest video format has a long way to go before it becomes the de facto standard for VCRs, it nonetheless has a good chance at a prosperous future.

Industry analysts are predicting that Super-VHS will grab about 5%-6% of the VCR market next year. The MarkeTrends survey suggests that the new format's long-term potential is even bigger.

To those who thought that customers might balk at the new system's high price tag, the latest study offers some reassurance.

VCR owners willing to pay for an even better picture.

Under $30	4.9%
$30-$49	3.5
$50-$59	6.6
$60-$99	2.5
$100-$149	9.3
$150-$199	3.4
$200-$249	6.3
$250 and over	10.1
Nothing	38.3
Not Answering	14.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

MarkeTrends research reveals that the real action in video cassette recorders in the near future will not be at the low end, as many had believed, but at the middle and top-of-the-line.

The average amount that consumers expect to pay for a new VCR—$458, according to the MarkeTrends survey—has not changed a penney since last year. However, the number of potential customers clustered at the high end ($700 and over) has jumped by nearly 20%.

What are they willing to pay for? A better picture, says the poll. Families in the MarkeTrends study report that they would pay an average $147.30 extra to get a better picture. Estimates range from less than $30 to more than $300.

A surprisingly high 10.1% of the MarkeTrends families say that they would pay more than $300 for better video quality.

CONSUMERS CONTINUE TO DRESS UP THEIR WINDOWS

Traditional and alternative treatments continue to divide the market almost evenly. Hard treatments, however, are growing more quickly than soft treatments.

***Of those polled,** 20% expect to buy curtains and 18% anticipate purchasing drapes.*

Next year's window blinds of choice will closely resemble this year's: ready-made vinyl mini's, possibly purchased at a department store and probably sharing a window with curtains or drapes.

That prognostication is backed by statistics from the latest consumer poll of 454 households by *Chain Store Age*/Leo J. Shapiro & Associates. The study also shows continued strong sales in the $4 billion window treatment market for drapes, curtains and shades, as well as for blinds.

Traditional and alternative treatments continue to divide the market almost evenly. Hard treatments, however, are growing more quickly than soft treatments, industry sources say.

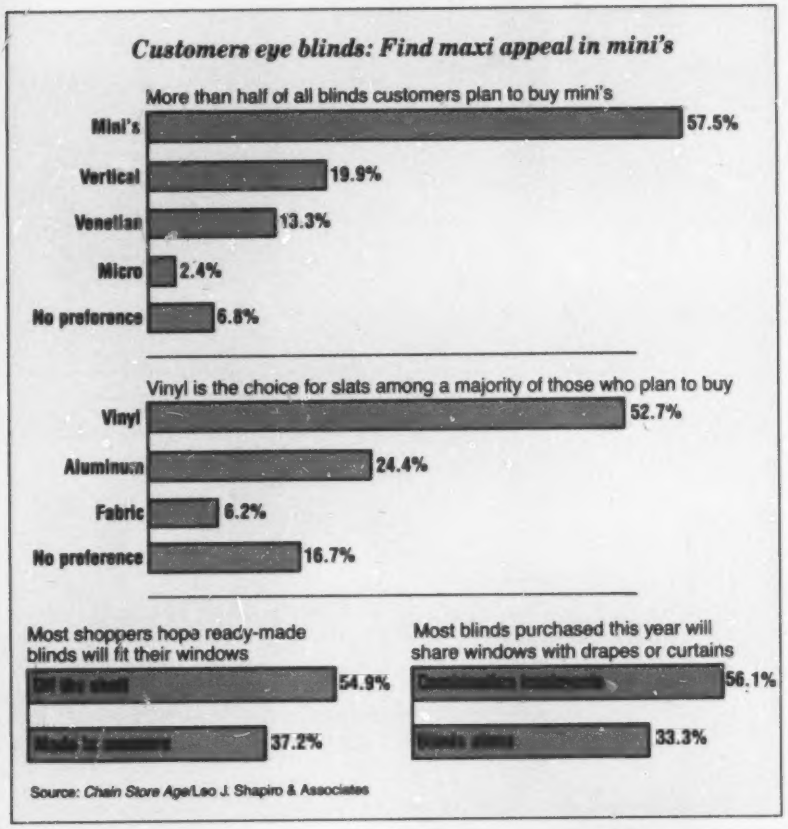
In blinds, the MarkeTrends families who expect to buy in the next 12 months continue to cite mini's as their probable choice. The size now constitutes 58% of the market among prospective blinds purchasers, the study shows.

Vertical blinds account for 20% of expected choices in the coming year, while traditional venetian blinds get a 14% share and micro-blinds are the choice of 2%. Fewer than 7% express no preference.

The fascination with mini-blinds is an on-going choice. Already, the style accounts for 20% of the blinds hanging in the nation's residential windows. Traditional venetian blinds are still 15%, vertical constitutes 9% and micro, 3%, with more than 2% not answering.

Vinyl remains the most popular material for slats, with nearly 53% of this year's potential blinds buyers choosing that option. Aluminum is the choice of 24% and fabric covered slats are favored by just over 6%. Nearly 17% fail to list a preference.

Most MarkeTrends families who



***Blinds are in 44% of all homes** and 16% of those surveyed anticipate buying more.*

expect to buy blinds in the coming year express no brand preference, but among those who do, Levelor remains the name most often mentioned, far ahead of Sears, Kirsch, Wards and Penney.

Usually, blinds customers intend to combine their new blinds with drapes or curtains. In fact, nearly 66% of those polled who expect to buy blinds in the next 12 months expect their new purchase to share a window with soft treatments.

Some retailers are meeting the challenge of combinations with hard treatments that incorporate toppers or other hints of soft treatments, says Jerry Kempa, Bali vp of marketing and sales.

Color choices remain a matter of evolution, rather than startling shifts of taste, says Bali's Kempa.

Grays, blacks and red-based colors continue to gain slightly, he says. Pearl tones and jewel tones are gaining, too.

Interest continues to decline in the earth tones that claimed great popularity for a decade, Kempa continues. Near whites are also still losing share.

Potential blinds customers also exhibit a measure of optimism about finding the size they need in stock but are unsure where to buy.

Nearly 55% hope to buy their blinds off the shelf. Made to measure is the expectation for 37%. Others are unsure.

In many cases, the realities of today's window treatment business could well dash those customer hopes of finding what they need at a relatively low, off-the-rack price.

That last point is underscored by the fact that the largest group of survey respondents, 35%, wants to buy in department stores, where custom-made is often the rule.

Those expecting to buy in discount stores amounted to 18%, specialty stores accounted for 11% and the remainder are undecided.

In all, 44% of the nation's home now have blinds. This year, 16% of those surveyed say they expect to buy blinds in the coming year. That is a healthy percentage, but not statistically significant from the 14% figure projected in the survey a year ago.

Sales will prove even stronger for curtains and drapes. Among survey respondents, 20% expect to buy curtains in the coming year and 18% anticipate the purchase of drapes. Both figures are near the levels of a year ago.

Needless to say, most people, 90%, already have either curtains or drapes, the survey indicates. Both are found in 50% of households, while 21% have curtains only and 19% have drapes only.

Pinch-pleated drapes remain the most popular variety, the choice of two thirds of survey respondents. Twenty-one percent want drapes with a pocket for a rod, while 15% express no preference.

Most customers, 57%, want washable drapes. For 16%, washable drapes are somewhat important and 20% say it is not at all important.

In window shades, buying intentions apparently are dipping. This year, 13% of those polled say they will buy shades in the next 12 months, compared to 17% a year ago.

Already, 41% of the respondents have shades. □

LUKE-WARM SALES AHEAD FOR COOKWARE

Good news and bad news for retailers. Consumers are cooking more these days, but doing so in microwaves, confirming retailer reports of a sales slowdown.

For the beleaguered stovetop cookware retailers across the country, *Chain Store Age*'s MarkeTrends study has both good news and bad.

On the positive side, the exclusive report prepared by Leo J. Shapiro & Associates shows that more consumers are cooking these days. On the negative side, it indicates that they are cooking more in microwave ovens.

The report appears to support the many retailers who blame the growing popularity of microwave for the sluggish sales of conventional top of the stove cookware this year.

The swing to increased home cooking is admittedly slight—80.5% of the consumers covered in the survey indicate that they cook compared to 79.2% last year.

Of those polled, 63.4% cook on a stove rather than on grills or in microwave.

Still, some 39.2% of the consumers canvassed in the study say they cook as much on the top of the stove as they did in past years, while 27.3% cook more and 32% less.

In other respects, the MarkeTrends report turns up few surprises.

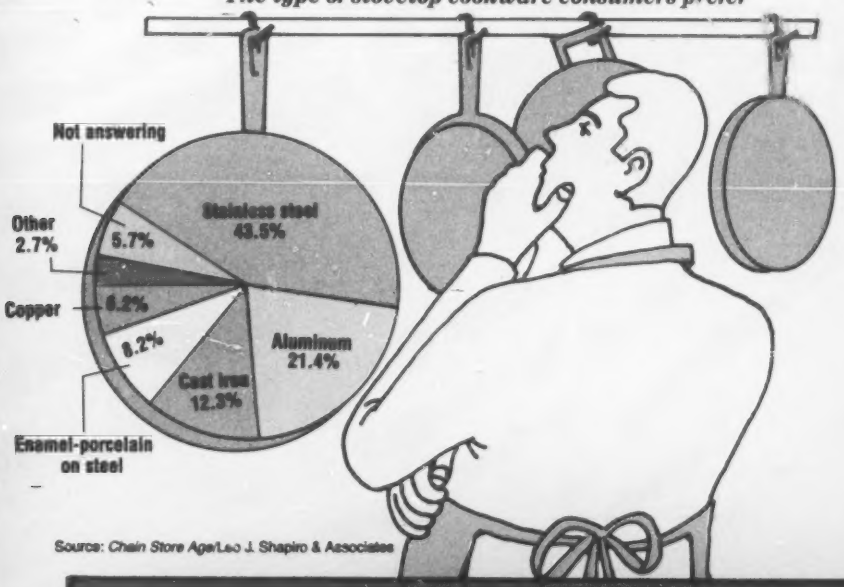
One development that might be considered a surprise, however, is the sharp decline in consumer acceptance of cast iron cookware. In this year's study, only 12.3% of the respondents prefer cast iron cookware, down from 21.2% in 1986.

Meanwhile, stainless steel continues to be the most preferred type of cookware by a wide margin. The metal is given the nod by 43.5% of the consumers. Its nearest rival is aluminum, garnering 21.4% of the vote. Enamel or porcelain-on-steel is favored by 8.2%, and copper, 6.2%. Except for cast iron, the percentage for each is virtually unchanged from last year, varying at most a half a point.

In view of the strength of Corning's Visions at retail these days—several buyers contend the line is the bright spot in the cookware picture—glass cookware might be expected to be higher in the popularity poll. Under 1% of the respondents use it on top of the stove.

Consumers cite a number of reasons for preferring the particular type of cookware they select.

The type of stovetop cookware consumers prefer



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Ease of cleaning again wins hands down, with 30.5% of the consumers citing this advantage. Even heating is listed by 18% of those canvassed. Some 17.1% say they like the cookware because they already own it and are pleased with its performance.

Others (16.8%) favor the material because food does not stick or burn with its use, while 10.4% admire the cookware's durability. Interestingly, durability was a more important consideration to consumers last year when 15.1% of those polled gave it high priority.

Other reasons for selecting a particular metal include "it cooks better" by 9.4%; lightweight, 3.5%; cheaper, 1.3%; retains vitamins, 1%; no-stain and dishwasher safe by under 1%.

Cookware with non-stick interiors lost ground this year. Where 66.8% of the consumers preferred non-stick cookware in 1986, 62.2% favor the feature this year. Correspondingly, 34% prefer cookware without an interior coating this year as opposed to 31.8% in 1986.

A significnant number of consumers covered in the MarkeTrends study say they would be interested in cookware with clear covers, i.e. covers that the cook can see through. Some 61.2% of the consumers say they are very or somewhat interested in the feature, while 35.9% say they see no value in it at all.

As for storage, hanging from hooks is apparently not the answer. Only 11.3% of those canvassed said they use this method for storage. The vast majority (86.5%) use some other means of keeping the items out of the way when not in use.

While retail promotions have traditionally been built around sets, data in the study indicates that the consumer thinks more in terms of open stock when it comes to buying cookware.

Some 64.4% of the consumers say their next cookware purchase will be from open stock, while 31.8% give their votes to sets.

There is little unanimity as far as set size is concerned. Receiving the most votes, for instance, is the 8-piece set favored by 7.3% of the consumers. It is followed by 6- and 12-piece units, preferred by 4.5% and 4.3% of the respondents, respectively.

Judging from results in the study, price does not seem to be a major concern for consumers buying cookware. More consumers seem willing to pay premium prices for their cookware than those taking the low road.

Slightly more than one fourth (26.7%) of the consumers surveyed, for instance, say they expect to pay over $150 for a set. Similarly 25% of the respondents say they expect to fork over between $50 and $74.99 for a set. The lower end of the spectrum—under $50—is the goal of 17.3% of the consumers. The average amount the consumer expects to pay for a set, the study shows, is $116; the median amount, $75.

In which stores do most consumers buy their cookware? Of the traditional outlets, department stores are the channels that enjoyed the most cookware business according to the study. Where 8.6% of the consumers say they bought their cookware in mass merchandising outlets, 11.7% cite full line department stores. On the discount scene, K mart accounts for 2.8% of the business.

The Big Three national merchandisers—Sears, Penney, and Ward—however, make a respectable showing on the cookware front. They are cited by 7.9% of the consumers as their place of cookware purchase. Sears captures more than half of sales registered by national merchandisers. Its 4.2% compares to Ward's 1.7% and Penney's 2.1%.

Elsewhere at retail, 3.2% of the respondents buy cookware in catalog showrooms; 1.8% in hardware stores.

The *CSA* study shows limited consumer brand awareness in cookware. Indeed, nearly half (42.4%) of the consumers can not come up with the name of the brand they currently own. What is more, 7.2% cite the name of a non-stick coating —SilverStone—rather than a manufacturer's line when asked what cookware brand they own.

Du Pont's SilverStone, like its predecessor Teflon coating, is often considered a brand name by consumers, although in actuality it is a component of products made by a number of manufacturers. Of the bona fide brands, Revere ranks first, owned by 13.7% of the households polled.

Corning Ware is in third place (behind SilverStone), currently owned by 4.8% of those canvassed. Farber is cited by 4.2%; Club, 3.8%; and Wear-Ever, 3.4%.

Many consumers do not seem to be looking for versatility in their cookware.

Just under half (42.4%), for instance, do not think it important that stovetop cookware can also be used in the oven. On the other hand, 8.3% consider this feature a must, and 19.9% deem it very important. This capability is somewhat important to 27.9% of the households in the study.

Less germane to the consumer is whether stovetop cookware can be used in microwave ovens. Only 5.9% of those included in the study feel this is a must, while 10.8% consider it very important and 19.4% somewhat important. The majority of those polled (59.9%), however, do not think the capability is at all essential. □

***Some 64.4% of consumers** polled say their next purchase will be from open stock.*

Difficult choices and dwindling profits plague licensed products. Retailers complain of late deliveries, poor quality and short-lived merchandise, according to a *CSA* study.

Retailers scale back licensed sku's

Risk and dwindling profits haunt retailers in today's overcrowded marketplace for licensed merchandise. Merchants fret over choices and timing, and complain of late deliveries, poor quality, frequent markdowns and short-lived products.

Consequently, many retailers are scaling back their sku's of licensed goods and concentrating on display, while asking suppliers to provide more national advertising and to produce fewer, better and less expensive products.

Just the same, retail profits for licensed goods have shriveled over the last three years, according to nearly 60% of the executives surveyed recently by *Chain Store Age*. Profits are stagnant, say another 28% of the survey's buyers, merchandise managers and administrators. Fewer than 14% say profits are increasing. The survey polled retailers controlling more than 3,000 stores.

"We don't make a lot of money on them," one discounter laments. The story is similar, the survey indicates, for most department, discount, variety and toy stores.

More than 43% of those surveyed carry fewer sku's now than last year. About 37% carry the same number of sku's and 20% are carrying more.

Retailers are reluctant to predict how much licensed merchandise they will stock next year. Among those willing to estimate, few expect to boost next year's number of sku's. Of those who expressed an opinion in the survey, 39% expect fewer sku's next year, 48% expect the same and 13% anticipate more.

Sales volume is not the problem. For the last three years, nearly as many respondents report sales increases as report sales decreases.

***Mickey Mouse remains** a popular licensed character.*

Low margins on licensed goods trouble most of the retailers surveyed. "The margin crunch," is one respondent's summation of the problem.

"Maintaining decent profit margins," proves difficult, says another retailer, who adds that, "Mass merchandisers are promoting licensed goods every day."

High wholesale costs cause concern. "You don't know if the licensed product will sell better than the generic," says one merchant. "Because of the higher cost of the licensed product, you don't know if it's better than generic."

As margins shrink, timing becomes all. The short lives of many licensed products therefore frustrate many retailers.

"If a license doesn't have a long life, somebody gets burned," says one respondent. "There is the potential to be left with too much inventory."

Another complains of the "Volatility of the products and the resulting markdowns that occur when they're no longer hot."

"Getting in soon enough and getting out soon enough," is the crux of the matter for one of those surveyed.

"They wear out fast," says another. "It's very faddish. You have to watch your buying, or you'll be left with something old."

If timing is a concern, the possibility of choosing a flop is an even bigger headache. Fully 70% of the merchants surveyed say too many licensed products are crowding the marketplace.

One retailer says the biggest problem with licenses is "Picking the right one."

Choices seldom come easily. "A license may seem to have a lot going for it and nothing comes of it," says one retailer.

"You either have a winner or you don't," says another.

In picking that winner, retailers say the quality of the licensed products is the most important factor. On a scale of 1 to 5, with 5 most important, merchants rated product quality 4.52.

"Better quality and value in the merchandise," is needed, says one merchant. "It's not a license to steal."

"Put proper value into the product," says another.

In a tie for second most important factor in selection of licensed merchandise, at a rating of 4.19, were the proven popularity of the property and the appropriateness of the property to the products.

"Have the product make sense with the license," says a retailer. "They should fit each other."

Fourth was the price points of the licensed products, 4.07, and fifth was the reputation of the licensors.

3.93.

"The reputation of the person who has the license is important," says one merchant.

Advertising and promotional programs to support the license came sixth, 3.78, and a television series for the property was seventh, 3.70.

"Unless they [the licensors] do a national TV set-up," says a retailer, "we won't benefit from licenses."

"The license must be presold," says another.

Eighth came the anticipated popularity of the license, 3.11, and last was the number of products licensed to the property, 2.44.

The selection process would become simpler with fewer licensed goods from which to choose. In fact, retailers say children's wear, stationery and toys are nearly the only categories in need of more licenses.

Among survey respondents who express an opinion on the number of licenses needed for particular categories, nearly 77% say more would help in children's wear. A bare majority want more in toys.

The retailers are neutral on more licenses for gifts and novelties, while they oppose additional licenses in women's wear, health and beauty aids, sporting goods, home textiles, video and computer software. Not a single person in the poll wants more licenses in men's wear.

Most retailers prefer handling one or two licensed staples that sell well year after year, rather than dealing with a never-ending onslaught of new licensed products.

More than 61% prefer licensed staples, the survey shows, compared with less than 39% who want a constant infusion of new licensed products.

Discounters, however, choose new products over staples, 61% to 39%, while variety store merchants choose staples 12 to 1.

With so many factors to consider and so much at stake, many chains are resorting to buying by committee. Buying of licensed goods is coordinated across merchandise departments by 57% of the chains polled.

Among those who coordinate across departments, the coordination is performed by a group rather than an individual, by a margin of 2 to 1.

Fewer than half boutique merchandise with the same license, and among those who do not, few plan to start. The technique sometimes causes problems for tightly planogrammed discounters.

Boutiquing helps," says one retailer, "especially in department stores."

"In-store merchandising," is the answer, says another retailer. "Pull it together into a boutique."

Retailers say display must improve and could prove the most likely way to boost sales of licensed products.

"Display," is the answer from one merchant. "If we think it's good we put it on end caps and speed tables. We buy in depth to show customers it's there."

In short, retailers mull over many factors in their selection and presentation of licensed goods. Yet, even with the right choice at the right time, the best laid plans can go awry because of late deliveries.

One retailer cites "late deliveries," as his biggest problem, while another complains that, "Delivery and costs are the major concerns."

"Ship on time," one merchant admonishes suppliers, "so we can avoid out-of-stocks."

"Ship promptly and be flexible on re-orders," says another.

"Keep packs small so the retailer can reorder when something's hot," is the idea from another source.

While concerned about such problems, many retailers still see no need for additional contact with resources. Nearly 62% say they need no extra contact.

"We get the magazines devoted to licensing and we have contact with the vendors," says one, "so the information we need is out there."

Others say they need no additional contact with licensors but would enjoy more effective contact.

"Discuss your plans on the front end," one retailer advises licensors.

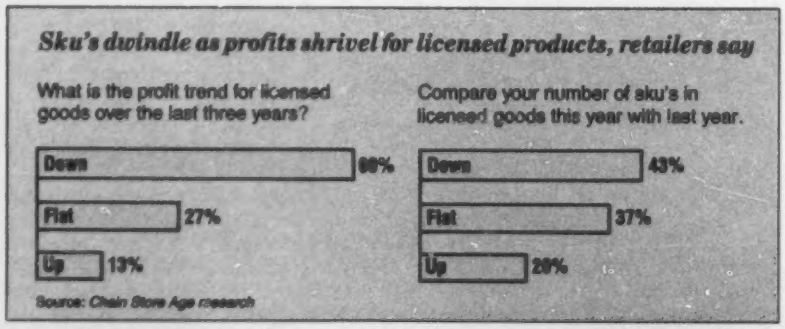
"Realize when a license is dead and become partners with the retailer in getting out," says another.

Among the retailers who do see a need for additional contact with licensors, keeping up with what is coming is important.

"We don't know what a license is until the company presents it to us," says a retailer. "We need to know what they're coming up with."

"We need to know where the license is going," says another. "To know the resource structure behind the license and to try to look for long term product stability for the retailer and the manufacturer." □

Sku's dwindle as profits shrivel for licensed products, retailers say



Retailers welcome licensed toys, but want few new licenses in other departments.

Weak B-T-S: a holiday portent?

Back-to-School this year was one of the weakest on record, and the disappointing season may augur a poor holiday selling season ahead. The 18 retail companies tracked by *Chain Store Age* posted a 11.2% sales gain in September. For the eight-month fiscal year, volume is ahead 10.2%.

August sales hikes were particularly slim, and many retailers took the opportunity then to point out that Labor Day fell a week later this year, pushing B-T-S into September.

The predicted September buying spree never appeared, however, and results for the combined two-month selling period were below plan for most retail companies.

Weak selling began in early summer, report many merchants, and its continuation beyond Back-to-School now threatens to stretch right through Christmas.

Nowhere is the trend more apparent than with the electronics specialty chains. Richmond, Va.-based Circuit City reported a 3% same-store hike for September, and held out few hopes for any bigger gains before year's end.

"We expect comparable-store sales gains to continue in the single-digit range for the remainder of the year," said Circuit City president/ceo Richard L. Sharp.

Same-store results for Minneapolis-based Best Buy dipped 7% in September, but senior vp Allen Lenzmeier pinned at least part of the blame for the sales downturn on troubles related to relocation of the company's distribution center in August. In particular, Lenzmeier cited continuing order fill rate problems.

Apparel specialty chains, which were hard hit in August, took a second blow in September. Columbus, Ohio-based The Limited recorded same-store results up only 1% in September. Limited chairman/ceo Leslie H. Wexner nonetheless attempted to find a silver lining in the September results.

"September's comparable-store sales are typical of what is experienced during a period when customers are making a fashion transition," Wexner said. "We consider this year's results to date as good, although not up to last year's record percentage increases, when we recognized comparable-store sales gains of 23% in September," he said.

September was not without its winners, however. Discounter Wal-Mart, which recorded a 36% overall sales jump, posted comparable-store volume up 13% in September, beating its own heady 12% rate for the year-to-date.

Braintree, Mass.-headquartered Bradlees comparable totals were 8% above last year's figures. For the first eight months of the current fiscal year, Bradlees same-store totals gained 5%.

Caldor, May Dept. Stores' Connecticut-based discount chain reported same-store sales ahead 10.9% in September and up 7.7% for the year.

The Big 3 mass merchants turned in good months, too. J. C. Penney rang up a 7.9% same-store sales hike in September for its store and catalog divisions. Montgomery Ward volume was ahead nearly 12%.

Sears, the nation's biggest retailer, posted a 5.5% same-store gain for combined U.S.-Canadian operations. But typical of many retailers, Sears results for the entire August and September Back-to-School season were up by only half that amount. □

September sales rebound, gain 11%

Major chains	% change	September sales* 1987	September sales* 1986	Stores 1987	Stores 1986	8-mo. sales* 1987	8-mo. sales* 1986	% change
Sears[1,2]	+ 5.2	$ 2,467,527	$ 2,345,688	809	801	$16,978,392	$16,435,811	+ 3.3
Penney[2]	+ 8.5	1,233,000	1,136,000	1,841	1,876	8,245,000	7,874,000	+ 4.7
Ward	+11.7	426,600	382,000	302	292	2,797,900	2,606,700	+ 7.3
May Dept. Stores	+ 8.7	964,100	887,300	2,866	2,664	6,310,500	5,783,400	+ 9.1
Dayton Hudson	+11.9	871,000	778,200	526	418	6,029,000	5,300,000	+ 13.7
Federated[3]	+ 6.7	801,600	751,400	526	493	5,349,100	5,062,800	+ 5.7
Carter Hawley Hale	+ 3.8	231,000	222,600	112	112	1,582,800	1,501,200	+ 5.4
Mercantile	+ 9.7	198,752	181,172	79	82	1,287,485	1,210,118	+ 6.4
Carson Pirie Scott[4]	+10.3	87,100	78,958	N/A	N/A	532,200	463,030	+ 14.9
K mart[1,4]	+ 7.0	2,163,700	2,021,600	2,085	2,187	15,335,900	14,236,000	+ 7.7
Wal-Mart	+35.9	1,207,000	888,000	1,163	992	9,515,000	7,030,000	+ 35.4
Zayre	+23.3	600,500	487,000	1,139	1,053	3,788,800	3,202,100	+ 18.3
Woolworth[4]	+14.7	392,000	341,000	N/A	N/A	2,617,000	2,430,000	+ 7.7
Ames	+ 6.8	194,600	182,200	479	456	1,280,000	1,133,600	+ 12.9
Bradlees	+13.1	181,000	160,000	167	157	1,190,000	1,075,000	+ 10.7
Tandy[2]	+15.6	237,430	205,293	N/A	N/A	1,841,636	1,661,585	+ 10.8
Circuit City	+28.1	97,000	75,700	93	78	699,800	513,000	+ 36.4
Best Buy	+88.5	29,400	15,600	35	15	216,500	102,454	+111.3
Totals & Averages	+11.2	$12,383,309	$11,139,711	—	—	$85,597,013	$77,620,798	+ 10.2

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

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Chain Store Age

GENERAL MERCHANDISE TRENDS DECEMBER 1987

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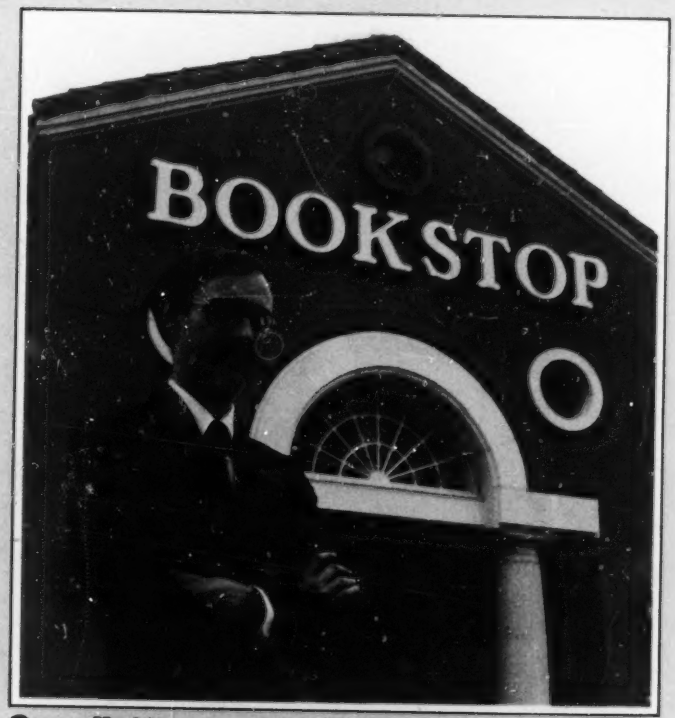

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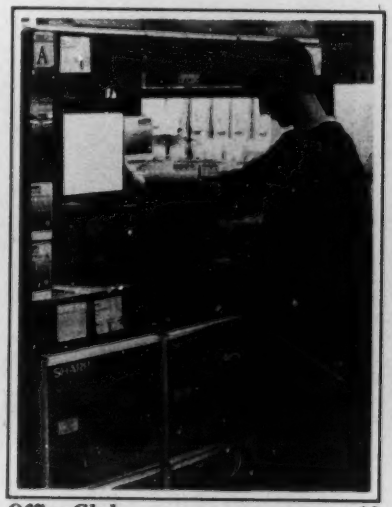

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Scandinavian by design, U.S. owned

First came Haagen-Dazs. The came Frusen Gladje as an example of trying to capitalize on a Scandinavian sounding name to sell an American company's product.

Now comes STOR, a U.S. specialty home furnishings retailer that has seen the wisdom of IKEA, a real-life Swedish company, and decided that contemporary lifestyle merchandise requires a Scandinavian nameplate.

STOR opened its first 150,000-sq.-ft. unit in late October in City of Industry, Calif. The flagship included the seemingly prerequisite "ballroom" for children and displays that simulate quality tests of chairs and other furnishings.

STOR's mix will be 50% European sourced merchandise, 45% North American, and 5% Asian, says Knell. The self-service store, with staff housed behind information desks and no salespeople on the floor, displays merchandise in more than 70 complete room vignettes.

With ready to assemble furniture capturing just a 3%-5% market share of all U.S. furniture sales, chairman Harvey G. Knell is optimistic that STOR can expand to 30 locations in the Far West, mainly southern California.

Gold jewelry prices will remain steady

Good news for gold jewelry fanciers across the country!

Despite rising price of the precious metal, retailers of gold jewelry say they will not raise prices this Christmas season.

In addition to holding the line on price, most retailers covered in a survey by the World Council Inc., New York, say they plan no cutbacks in either advertising or inventory in light of current economic uncertainty. Some even raise the possibility of more aggressive advertising than previously planned.

The ads will continue to deliver the traditional message about the long-standing enjoyment and sentiments of gold as a gift.

Meanwhile, the World Gold Council has launched a fourth-quarter network television ad campaign. The 30-second generic commercials boosting gold jewelry will continue until just before Christmas.

Women like fitness, men team sports

A study of 75,000 Americans from the National Sporting Goods Association confirms what retailers know from experience: women usually prefer fitness activities and men team sports.

Women constitute at least two-thirds of all participants in several activities, namely aerobic exercise (87%), gymnastics (71%) and exercise walking (65%), according to the study.

So, how important is that? Very. Though gymnastics attracts just 4.8 million regular participants, aerobics draws nearly 22 million and exercise walking 53.5 million people.

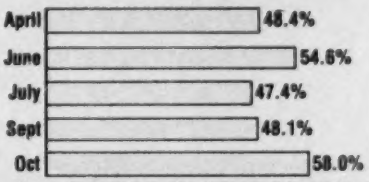
More than 50% of all participants are women in ice/figure skating, calisthenics, cross country skiing, swimming, bicycle riding and exercising with equipment.

Volleyball is the sole team sport managing to draw more women than men.

The survey defines participants in team sports as anyone 7 years old or more who plays a sport more than once a year.

Warehouse clubs expand coverage

More consumers report warehouse clubs in their area



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Warehouse clubs are extending their reach. About 3 in 5 families now report that there is a membership warehouse club in their local area. According to an exclusive *Chain Store Age*/Leo J. Shapiro & Associates nationwide survey, the number of families that say there is a nearby warehouse club (58%) is the highest reading in the last seven months. Twenty-eight percent of the survey families say that they have shopped at a membership warehouse within the past year.

Sam's Wholesale Club, Wal-Mart's entry, is the best known of the new format's operators. Of those who actually have shopped at a warehouse club in the last year, more families (25%) name Sam's than any other. Next-best shopped is San Diego-based Price Club (13%), followed by Pace (11%) and Costco (8%).

The results are part of a continuing *Chain Store Age*/Shapiro study of warehouse clubs begun in April. To date, information from 2,254 telephone interviews has been compiled in the results.

Sales barely affected by Wall Street crash

Did the October 19 stock market crash soften sales results for the nation's biggest retailers? Probably not, say most. The 18 retail companies tracked by *Chain Store Age* rang up a 10.8% sales increase in October.

For the fiscal year's now completed first three quarters, revenues are up 10.2% compared to last year.

Michael Bozic, chairman/ceo of Sears Merchandise Group, echoing the experience of many, said October "closed on a strong note after a softening in sales during the week of October 19."

Commenting on the short term outlook, Bozic said, "In view of record employment and increasing disposable income, we expect a good Christmas season for consumers and the general merchandise industry."

After the Black Monday stock market crash, many industry analysts were predicting that sales of big ticket items, in particular, would suffer. However, the softening of big ticket sales never appeared.

Instead, any fallout from the crash will probably take longer before it becomes apparent. Over 80% of U. S. households do not directly own any stock at all. The market's downturn might still seem a distant and somewhat irrelevant event to them.

A flurry of October promotions, meanwhile, is probably the reason behind what turned out to be a month that hit sales targets for most retailers. Profit goals might not have been achieved, however, and third quarter results could suffer.

For Sears, the nation's largest retailer, October sales and charge revenues dipped 1.3%. But the dip was due largely to a drop in charge revenues which offset modest sales gains.

J. C. Penney outpaced its fellow cataloger, ringing up a 9.1% sales jump. Same-store results were up 8.3% for the month and 4.6% for the first three quarters. Penney chairman William R. Howell credited better than average demand for family apparel, especially outerwear and sportswear, and for bedding and bath merchandise.

K mart posted a 6.7% sales uptick in October, below its 7.8% year-to-date performance. Comparable-store results were ahead 3.7% for the month. Nonetheless, chairman Joseph E. Antonini characterized the month's performance as unaffected by the stock market meltdown.

"Our business in late October, as well as for the month as a whole," Antonini said, "closely tracked our sales pattern of the last few months. This suggests that our broad customer base has been relatively unaffected by the sharp decline in equity values."

Federated Department Stores chairman Howard Goldfeder, meanwhile, blamed lower than expected sales on the stock market slump. Goldfeder said sales were particularly weak in the fourth week of the month, "possibly reflecting some consumer uncertainty associated with volatility in financial markets."

Sales for Federated's department store divisions gained only 1.7% in October, compared to a 4.9% pace in the first nine months. Its discount stores posted a 3.1% increase for the month, ahead of their 2% uptick for the year to date.

Discounter Wal-Mart ended the month on a strong note, with sales up 40% compared to year-ago totals. Comparable-store sales gained 14% in October and are up 12% for the nine months.

Promotions boost October sales

Major chains	% change	October sales* 1987	October sales* 1986	Stores 1987	Stores 1986	9-mo. sales* 1987	9-mo. sales* 1986	% change
Sears[1,2]	– 1.3	$ 2,018,167	$2,044,667	814	802	$18,996,559	$18,480,478	+ 2.8
Penney[2]	+ 9.1	1,079,000	989,000	1,837	1,880	9,324,000	8,863,000	+ 5.2
Ward	+ 4.0	344,100	330,900	306	293	3,141,000	2,937,000	+ 7.0
May Dept. Stores	+ 6.8	761,600	713,100	2,893	2,705	7,072,100	6,498,800	+ 8.8
Dayton Hudson	+ 18.9	809,700	680,800	560	418	6,800,000	6,000,000	+ 14.3
Federated[3]	+ 2.5	672,200	656,100	532	500	6,020,400	5,718,900	+ 5.3
Carter Hawley Hale	– 2.7	192,400	197,800	112	112	1,775,000	1,699,000	+ 4.5
Mercantile	+ 6.4	158,982	149,459	79	82	1,446,467	1,359,577	+ 6.4
Carson Pirie Scott[4]	+ 14.4	70,400	61,552	N/A	N/A	603,300 5	24,582	+ 15.0
K mart[1,5]	+ 6.2	1,775,000	1,671,000	2,207	2,189	17,110,000	15,907,000	+ 7.6
Wal-Mart	+ 39.8	1,444,000	1,033,000	1,182	997	10,959,000	8,064,000	+ 35.9
Zayre	+ 17.3	511,700	436,100	1,161	1,075	4,301,000	3,638,000	+ 18.2
Woolworth[2]	+ 9.5	295,000	269,000	N/A	N/A	2,912,000	2,700,000	+ 7.9
Ames	+ 7.9	159,300	147,700	482	458	1,439,000	1,281,000	+ 12.3
Bradlees	+ 7.2	164,000	153,000	171	158	1,354,000	1,228,000	+ 10.3
Tandy[2]	+ 15.4	278,482	241,451	N/A	N/A	2,120,118	1,903,036	+ 11.4
Circuit City	+ 40.3	109,300	77,900	97	84	809,100	590,900	+ 36.9
Best Buy	+ 104.1	34,700	17,000	37	18	251,200	119,454	+ 110.3
Totals & Averages	+ 10.8	$10,938,031	$9,869,529	—	—	$96,434,244	$87,528,808	+ 10.2

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

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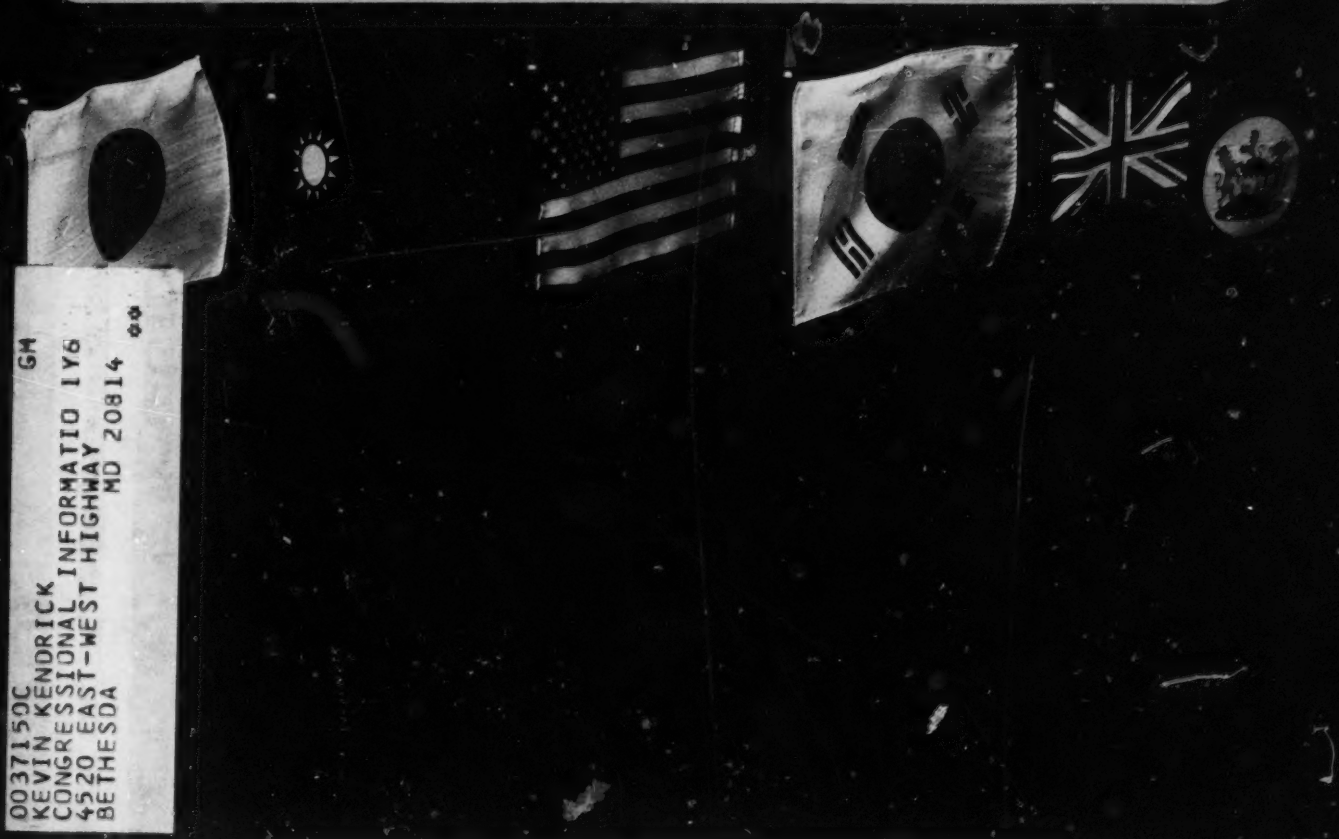
Chain Store Age

GENERAL MERCHANDISE TRENDS January 1988



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A CSA Exclusive Survey

EAST VS. WEST

What Americans really think about imports

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Chain Store Age: Auld Lang Syne

Murray Forseter
Publisher/Editor

Nine years ago, in February 1979, I had the honor to begin a dialogue with you, the reader. This will be our last chance to communicate in this forum. This will be the last issue of *Chain Store Age General Merchandise Trends*.

The decision to terminate was a wrenching one for our parent company, Lebhar-Friedman. *Chain Store Age* is the direct descendant of the original publication of our company, founded in 1925 by Arnold D. Friedman.

Nevertheless, just as J.C. Penney agonized over closing the first store where its founder worked, just as Sears, Roebuck & Co. anguished over closing the downtown State Street Chicago store, and just as countless retailers have shuttered once proud stores, so, too, our corporation had to make a decision based on economics, not emotion.

I won't tax you with the details of publishing market shares. I'm sure many of you noticed that we carried fewer advertising pages each year for the last 12 years.

Through most of that time I have been directly responsible for the editorial product. Each year, no, each month, we labored to craft a better product than the month before. We stretched our resources to supply original material. We funded our own consumer research program, MarkeTrends. We devoted special issues to studies of value and customer service, as the consumer defines those terms. Retailers told us who their best suppliers were, and, more importantly, why.

We presented the first full-issue study of K mart, an issue cited by the American Society of Magazine Editors as one of the six best full-issue studies of 1980. Our 1985 full-issue study of Sears won the Jesse H. Neal Award for editorial achievement. Presented by the Association of Business Publishers, the Neal Award is considered the Pulitzer Prize of business press journalism.

We did much more, of course. I can only comment on my association of nine years and our determination to be an information resource to the entire retail and vendor communities.

Even before my staff's and my tenure, there was a rich history of involved, inspired and professional journalists led by Godfrey Lebhar, Ralph Friedman, Joe Fletcher, Frank Landau, Ben Gordon, Dick Groberg, Walter Schruntek and John Lightfoot.

In many ways *Chain Store Age* resembled the Sears-Penney-Ward and department store retail formats that tried to provide a little bit of everything to a diverse audience. We were very good at what we did, but then, just as in retailing, first discount store publications and then specialty merchandise books captured chunks of our business. We reacted, just as the big store retailers did. We narrowed our merchandise reporting focus. We differentiated our offering. But the erosion was considered irreversible.

It is impossible in this narrow space to thank everyone who helped us in our quest. Nor is it possible to single out all those whom we met during our journey who made lasting impressions on our staff.

We are most grateful to our loyal readers and advertisers who believed in the value of *Chain Store Age*.

To all of you, we wish success and achievement. And happiness.

And, selfishly, we hope that in some way we have enriched your careers and that you will miss us.

We will miss you.

A *CSA* EXCLUSIVE SURVEY

EAST VS. WEST

What Americans really think about imports

Thirty-five years ago, or so the story goes, an enterprising Japanese town came up with a solution to its country's reputation for shoddily-made goods. The town, called Usa, began stamping products made there with the English words, "Made in USA."

Until authorities in the real U.S.A. caught on, citizens of the Japanese hamlet thought they had come up with a pretty clever solution to their export problem.

How times have changed. Many Americans now shudder at the very thought of buying a U.S.-made automobile. They prefer Japanese cars instead. Conversely, it simply is impossible for them to buy an American-made VCR even if they wanted one.

Discount giant Wal-Mart, meanwhile, wrapping itself in the flag and puffed with patriotic fervor, has instituted a "Buy American" program that attempts to give U.S. suppliers the same financial breaks it traditionally gave only to overseas sources.

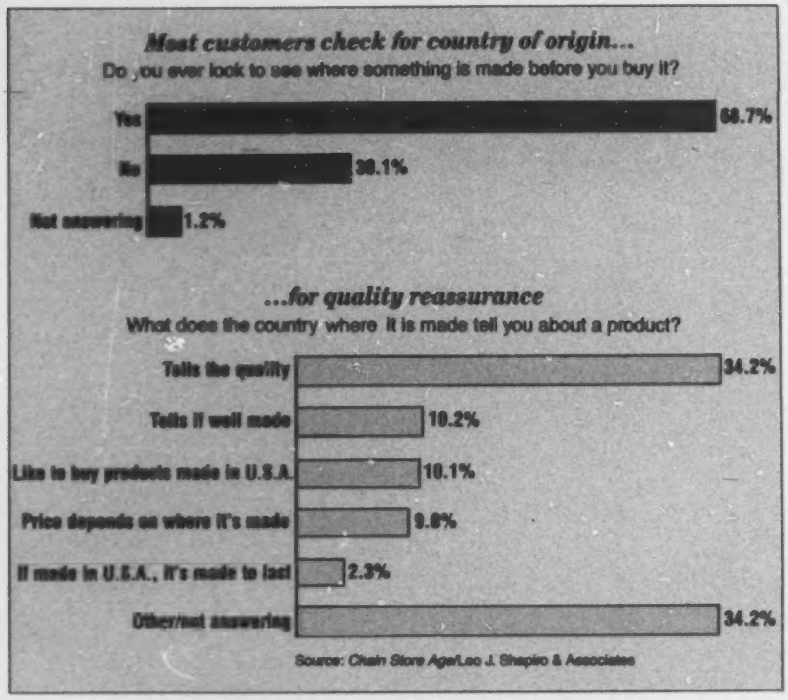
At the same time, Wal-Mart has quietly expanded its Far East buying office and in sheer volume now imports more goods than ever before. The proportion of American-made goods Wal-Mart sells, however, has risen since the program began.

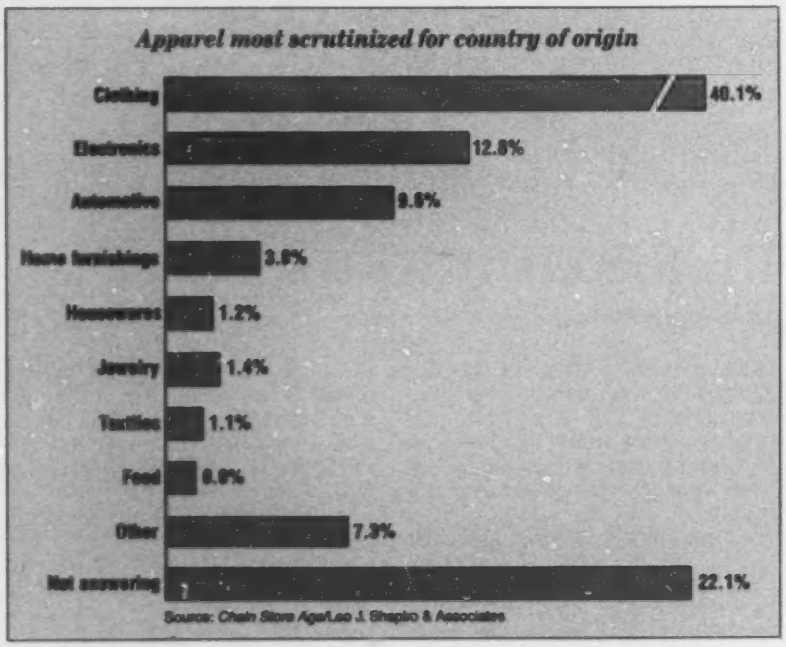
Textile industry sources have banded together to run a highly visible "Made in the U.S.A." television campaign. Hollywood stars, including the likes of Bob Hope, and Billy Dee Williams, proclaim that American made goods matter to them.

But what about average Americans? Do they really care where products are made? And if they do, which do they prefer—those made overseas or those made in the United States? Can appeals to patriotic fervor—or perhaps just plain old jingoism—change their shopping habits?

These are some of the issues raised in an exclusive *Chain Store Age*/Leo J. Shapiro & Associates poll which examines American attitudes about foreign products. The answers include the startling revelation that in nearly all cases Americans want to buy goods made in the United States.

The nationwide random survey was conducted by telephone with a sample of 902 households. Either the male or female head of the household was questioned in each case. Interviewing was conducted





during June and September 1987.

It matters: Most shoppers are not blind to country of origin. More than two-thirds of American families, according to the poll, check to see where a product was made before buying it.

Why do they look? Most people say that they usually check to make judgments about quality and workmanship. Relatively few, says the survey, are looking for country of origin because they specifically want to buy American-made products.

Only 10% of shoppers say that they look for where a product was made so that they can be sure they are buying American.

Instead, what most shoppers are looking for is reassurance that the product meets their quality standards, and checking country of origin is one way of making sure they get what they want.

In the *Chain Store Age*/Shapiro study, more than one-third of the families interviewed say that the reason they look for where a product was made is because they think country of origin tells them about a product's quality.

Another 10% report that where a product was made tells them about craftsmanship. Only 2% say that it is not important where something was made, but rather how well it was made.

More than anything else, the concern about quality revealed in the poll seems to be part of a defensive shopping strategy. Customers apparently have a private list of countries whose goods they generally consider inferior. When shopping, they are looking to avoid these products.

Clothes make the country: The defensive strategy is most important when it comes to apparel shopping. More than any other category of products, apparel shoppers check where something was made before they buy it.

In the *Chain Store Age*/Shapiro poll, almost half—40% of all families in the poll and 46% of those who say they usually check for country of origin—say that they look for where apparel was made.

Shoppers need more reassurance about the quality of foreign-made clothing, says the survey, than for any other category of goods.

Consumer electronics are named by 13% and automotive products by 10%. In contrast, only 4% of home furnishings shoppers and 1% of housewares customers need similar reassurance about the quality of foreign-made goods.

Those most likely to be concerned about both quality and country of origin are generally older and are more uncertain about their economic future.

On the average, those who usually check for country of origin before buying are 45-years-old, compared to 40-years-old for those who do not regularly check.

The majority of those who check for country of origin expect that their household income will decrease or, at best, stay the same next year. They also are more likely to think that economic problems are the biggest facing the country.

In the news: The extent to which people associate products with different countries varies greatly, according to the poll.

Fully 9 out of 10 people were able to answer the question, "If you were out shopping and saw a product that was made in Japan, what product would you be looking at?" Almost as many could name a product from Hong Kong.

The fewest people—only 1 in 3—were able to name a product made in Israel, Poland or Malaysia.

The pattern shows that some of the countries most often in the news, such as Israel, Poland or even the Soviet Union, have not achieved much recognition for consumer products.

In contrast, countries less often in the news, such as Mexico, Hong Kong and Taiwan, have a relatively broad product awareness.

Some countries have become strongly associated with only one specific product or one kind of product. The single product countries are Japan, picked for video and audio equipment, Germany, named for automobiles, Russia for vodka, and both Korea and Taiwan, cited for clothing.

Other countries, in contrast, have become identified with a broad range of products. Sweden, for example, is associated with food, clothing, jewelry, housewares and automotive products. Shoppers name Australia for apparel, food, and textiles. England is cited for clothing, housewares, food, automotive and textiles.

Home grown the best: What country do American shoppers think has the best products? In what is perhaps the most startling finding of the research the hands-down preference is for products made in the United States.

In virtually every instance, people say that if they were in the market for a specific product, they would prefer that it be made in America rather than in a foreign country.

For example, people who associate automobiles with Germany rate their interest in buying a car made in Germany at 6.72 on a 9-point scale, with the higher number indicating higher interest. When asked to rate how they feel about buying a car made in the United States, the average rating is 7.64.

Similarly, looking at Japanese home electronics products, the average rating for buying something made in Japan was 6.50. The same product made in the United States received a rating 7.63.

Even the most popular products from a foreign country, the poll suggests, are not as attractive as the same product were it made in America.0

Products made in the United States by foreign manufacturers fare better in the customer's eyes, according to the survey, but only slightly. American goods made by American companies are still the best.

For Japanese electronics manufacturers, such as Sony which makes color TV tubes in California or Sanyo which manufactures in Alabama or Panasonic in Ohio, the question is far from academic. Neither is it for foreign car makers who have shifted production into the United States in recent years.

However, shifting production of a foreign product into the United States is not seen as having a positive effect of the quality of the product, according to the poll.

Only 10% cite quality as an advantage, compared to 47% who say the advantage would be more jobs for American workers. Fourteen percent believe that goods would be less expensive if manufactured in the United States.

Quality counts: In sum, the onslaught of foreign imports into the United States has raised consumer sensitivity about quality. The reason customers check a product's country of origin has more to do with fears about the quality than it does with more abstract political or social concerns.

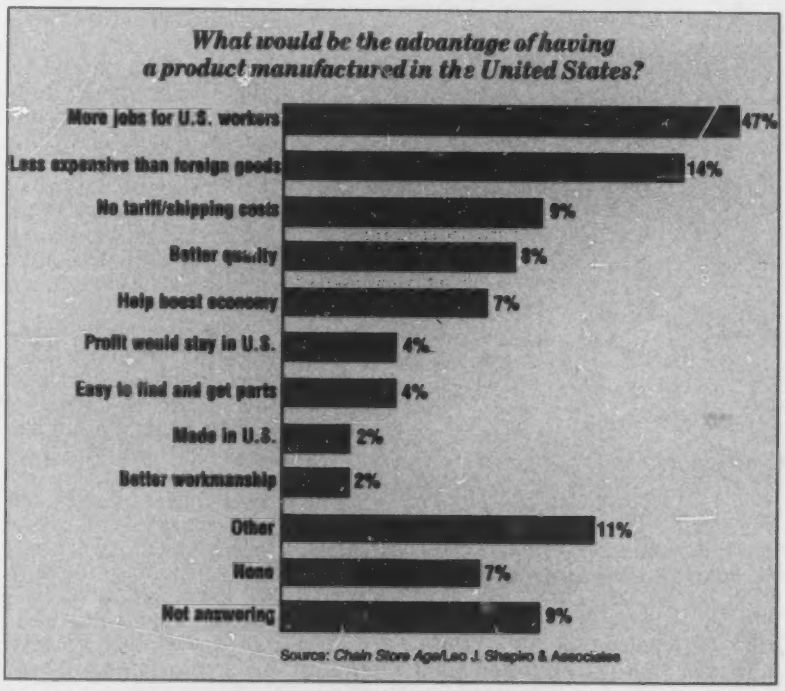
In effect, most foreign goods are accepted, not because they are seen as superior to American-made products, but simply because they are on the retailer's shelf.

A "Made in the U.S.A." label relieves the customer, not of some burden to support her motherland, but instead relieves her from taking extra precaution to check on quality. A foreign-made label is more likely to put a customer on guard to assure that a product is of acceptable quality.

Efforts such as the "Made in the U.S.A." textile promotions may then be missing the boat. Broad appeals to patriotism, the poll suggests, are probably less effective than appeals to issues of quality.

The inclination of Americans, as revealed in the poll, already is to "Buy American." The reason, however, has nothing to do with some inherent superiority of American-made goods. Rather, it is simple familiarity and a lifelong history of buying homemade.

Perhaps 35 years-ago the good citizens of Usa, Japan were on to something. □



Chain Store Age/Better Homes & Gardens reveal that many in the general merchandise industry are disenchanted with rebates. But consumers like and look for them.

Rebates are popular with consumers

Rebates are alive and well at retail these days.

Despite growing disenchantment with them in some quarters of the general merchandise industry, rebates continue to be popular with the people who count, the consumers, especially those shopping health and beauty aids and basic housewares in discount chains and supermarkets.

Most consumers have redeemed from one to four offers in the past year and consider $5 the most worthwhile rebate size.

These findings surfaced in a recent consumer study made for *Chain Store Age* by *Better Homes and Gardens.*

The study also shows that nearly one-third (32.6%) of the respondents took greater advantage of manufacturer rebate offers last year than they did the previous 12 months. At the same time, 53.1% of the respondents said they bought rebated goods to about the same extent as they did the prior year. The offers were less of an attraction to 13.8% of the shoppers.

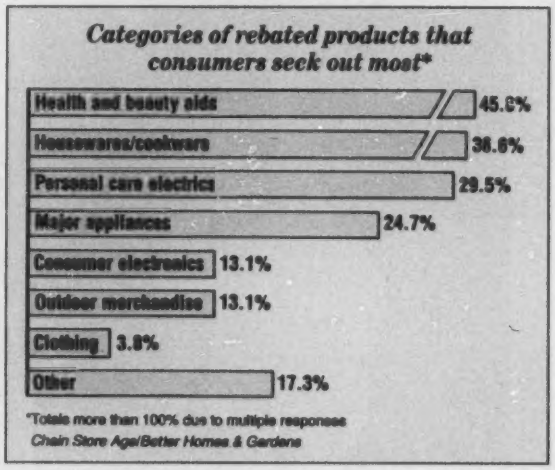
Similarly, 65.6% of the respondents say they are somewhat influenced by rebates in their purchasing decisions. Only 12.8% acknowledged that they were very much swayed by rebates in their shopping rounds, while 21.1% were not at all affected by the practice.

Nearly two-thirds of the consumers canvassed (62%) acknowledge that they sometimes look for rebates when shopping or planning their buying trips, while 13.8% always look and 23.8% never do.

The *CSA/BH&G* report further shows that discount stores and supermarkets are the most successful outlets when it comes to promoting rebates. Based on multiple answers, some 62.9% of the respondents purchased rebated products in discount houses, while 51.7% bought them in supermarkets.

Drug stores were the source of rebate purchases for 30.1% of the consumers canvassed, while department stores were meccas for 28.4%. Catalog showrooms were cited by 14.6% of the respondents.

Health and beauty aids along with basic housewares and personal care electrics benefited the most from rebate promotion, the study shows.



Nearly half (45.8%) of the consumers say they primarily look for health and beauty aids with rebates, while basic housewares and cookware are principal targets for 36.6%.

Rebates are also effective in moving personal care electrics where 29.5% of the consumers say they look for these products with such offers. The tack was somewhat successful with consumer electronics and outdoor merchandise, each of which attracted 13.1% of the rebate activity.

What size rebate does the consumer deem most worthwhile? Results seem to belie the retail axiom that the larger the value the more popular the rebate. Most of the respondents (44.9%) voted for $5, while 17.6% cited $2, and 12.8% said $10. Still, rebates of over $20 were given the nod by 15.2%.

While 14.5% of the respondents did not avail themselves of any rebates at all last year, 20.9% of the participating consumers say they took advantage of one or two offers the past 12 months. An almost equal number (19.5%) say they redeemed three to four; 13.1%, five to six. Statistics in the study show that rebates would be even more widely used by consumers if the mechanics involved in redeeming them were simpler. This is the view of 88.8% of the consumers canvassed. Conversely, 9.5% say they would not take advantage of rebates even if the procedure were less complex.

As it is, the study shows the detailed procedure frequently required in redeeming a rebate very often discourages 22.6% of the respondents; often discourages 30.5%; and completely discourages 10.5%. It is not too surprising then that the actual rate of overall redemption is modest. Just over half of the respondents (52.3%) in the study say they either always fail or often fail to mail in rebates. On the other hand, 38.5% of the consumers say they seldom fail to make redemptions, while only 8.1% say they never fail to.

Patience is not the hallmark of consumers when it comes to taking advantage of rebates. Some 32.8% of the consumers say they never wait to buy a product if they know it usually carries a rebate, while 41.6% seldom wait. Only 1.7% indicate that they always wait. In selecting between competing brands, the one with the rebate usually gets the edge. The study shows that 53.9% of the consumers consider rebates somewhat important in selecting between brands, while 10.9% consider it very important. □

Home electronics to slump in '88

It will be a tough year for home store departments in 1988. The latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll confirms weak readings first measured in the November survey.

Home store departments, says the most recent poll, will have trouble posting anything better than single-digit sales increases in the next 12 months.

Consumer electronics, according to the nationwide MarkeTrends survey, will be particularly hard hit. Though the latest poll indicates good gains ahead for car stereos, home audio and telephones, bigger categories—such as video cassette recorders—will slump in 1988.

In last month's MarkeTrends survey, for example, the number of households reporting that they plan to buy a VCR this year is only 1% higher than totals recorded a year ago.

Based on current MarkeTrends estimates, *Chain Store Age* projects that 12 million VCRs will sell at retail in 1988. Last year, the number totaled about 11.8 million units.

For auto sound, however, the outlook is considerably brighter. The number of MarkeTrends families who say in the latest survey that

they plan on buying a car stereo is almost twice as high as the total recorded only nine months ago.

At the same time, the number of families reporting that they expect to buy a home stereo this year has more than doubled since April.

That is the extent of the good news in electronics, however. In last month's MarkeTrends poll, interest in buying boom boxes was down 3%. Telephone answering device buying intentions were up only 3%. Headset audio, according the the December survey, will gain 3%-6% this year.

For housewares categories, the news is equally bleak. Buying intentions for food processors, for example, are at their lowest levels in nine months. Sales, says the latest poll, have been slipping, too.

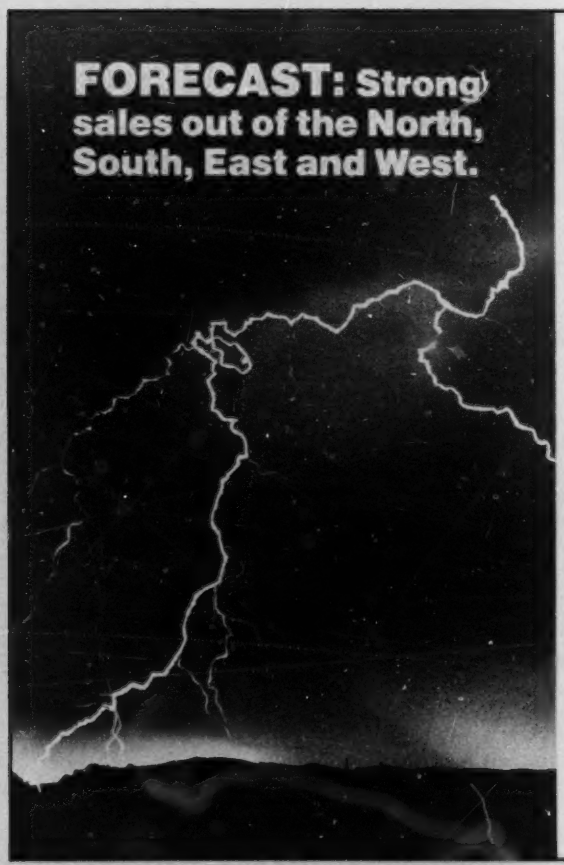
Bathroom scale sales have stalled, too, according to the January MarkeTrends poll. The latest sales volume readings are down almost one-third from those recorded last spring. Plans for future buying peaked last October, according to the survey, and have fallen ever since.

***The number of households planning** to buy a VCR is only 1% higher than last year.*

Glassware sales plateaued last year, says the MarkeTrends poll, and buying intentions for 1988 are slipping steadily from year-ago figures.

Weak performance for housewares categories comes on the heels of disappointing results in the December MarkeTrends poll. Cookware sales, for example, had slumped about 4% last year.

Domestics categories, on the other hand, are showing potential for some modest sales hikes. Customer buying plans in the most recent survey are up for bath towels, sheets and pillowcases. □



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A MIXED MARKETING MESSAGE FOR THE CAMCORDER

The format fight among VHS, Beta, VHS-C, 8mm and now Super-VHS has left the customer confused. What he really wants: good picture quality and VCR compatibility.

***Electronics specialty store customers** expect to pay only $870 for a camcorder, compared to $1,017 at a department store.*

Has the squabble over camcorder formats confused the customer with a mixed marketing message? Probably so. Families in the latest MarkeTrends poll give mixed signals about camcorders.

However, they probably are only the result of the mixed message that they are getting from manufacturers themselves.

Just about three-quarters of American families have heard of or have seen a camcorder, according to the nationwide survey of 450 households. Six percent already own one.

Almost 15% of the families say that there is some chance that they will buy a camcorder in the upcoming 12 months. Only 1%, however, rate their chances as definite. Three percent say they probably will buy, while 10.8% say they may buy.

On the average, the MarkeTrends families think that they will have to spend $947 to get the camcorder they want. This compares to the $1,093 spent by those who already own a camcorder.

But that is the last point in the survey that conveys a consistent consumer message. The poll reveals that what is important to the customer may be something that perhaps is quite different from what the industry thinks.

Asked to rank the importance of a number of factors they use in deciding which specific camcorder to buy, customers rank picture quality at the top of the list. In the poll, 62% rank picture quality as a very important factor in their buying equation.

Ranking second to picture quality is which tape format the camcorder uses. Apparently, customers are concerned that their camcorder be compatible with their VCR system at home. Forty-seven percent of the survey families rate format as very important in deciding which camcorder to buy.

Asked which format they would prefer if they were buying today, VHS is the hands-down winner, the choice of 66% in the poll. Almost 1 in

5 families do not give an answer to the format question.

The size of a camcorder, how big or how small it is, was far less important to the MarkeTrends families than format or picture quality—one of the survey's surprises. Only 28% of the polled households say that size is a very important criterion in choosing which camcorder to buy.

Brand is of surprisingly small import, too. Only 27% of the MarkeTrends families rate brand as a very important consideration in the purchase of a camcorder.

When asked what brand camcorder they would purchase if they were buying today, more than half—a whopping 52%—of the survey households do not name a brand they would choose, suggesting low brand loyalty.

And indicative of some of the confusion in the marketplace, Sony tops the list of preferred brands, the choice of 47% in the nationwide poll.

The problem, of course, is that Sony does not produce VHS camcorders, the choice of the great majority of families. With customers saying that format is more important than brand, the poll is still another indication of how Sony's slavish commitment to Beta and 8mm is costing it sales.

Also on the customer's list of preferred brands if they were buying today are Panasonic (10%), RCA (7.8%), Zenith (2%), Hitachi (1.5%) and Magnavox (1.5%).

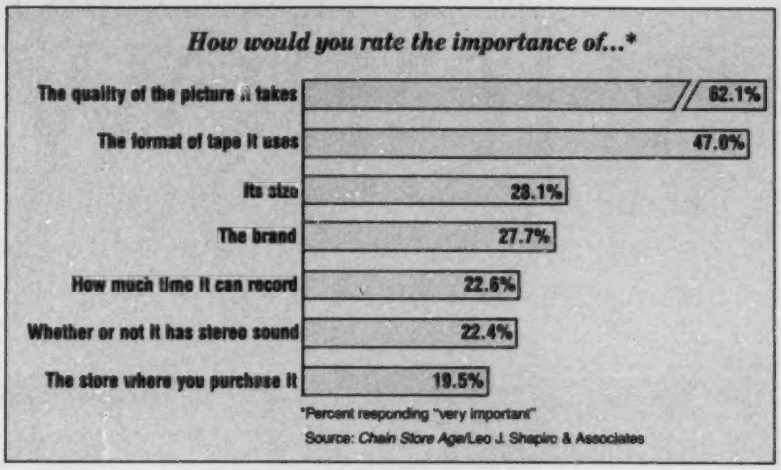
How much time a camcorder can record without changing tapes is of great concern to those marketing VHS-C camcorders, but, according to the MarkeTrends poll, is of little concern to the customer.

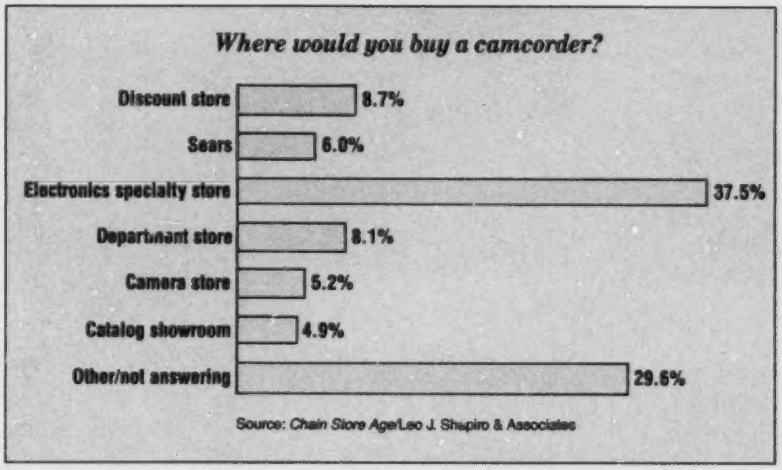
Only 23% of the survey households rank recording-time length as very important. This is a boost for the compact VHS format, since reduced recording time is its major drawback.

Stereo sound seems to leave most customers pretty cold, too. Only 22% of the MarkeTrends families say that stereo is a key component in deciding which camcorder to buy.

Least important in the buying equation, according to the survey, is the store where they would buy. In the poll, 19.5% say that the specific store is very important in deciding which camcorder to buy.

Asked where they would make their purchase if buying today, about 1 in 4 of the poll households say that they would buy at one of the electronics specialty stores.





Following are discount stores, named by 8.7%, department stores (8.1%), Sears (6%), camera stores (5.2%) and catalog showrooms (4.9%).

Department store customers expect to pay the most for a camcorder ($1,017), while electronics specialty store shoppers expect to pay the least ($870). In between are camera store customers ($948), discount stores ($961) and catalog showrooms ($977).

On the average, prospective camcorder customers come from households that are slightly larger than the norm (3.5 persons for those who might buy, compared to 3.2 for those who definitely will not buy).

The presence of children in a family does cause a significant increase in the buying incidence of a camcorder, but the presence of young children (under 12 years-old) has a profound effect upon camcorder shopping.

Three-quarters of the families that say there is some chance they will buy a camcorder this year have children under 12 years-old at home. In contrast, about half the households that rule out buying in 1988 have young children at home.

On the average, prospective camcorder buyers have significantly higher incomes than those who do not expect to buy. Families that say there is some chance they will buy have mean incomes of $38,100 compared to the $32,400 for those who do not expect to buy.

They are also younger. Camcorder prospects, on the average, are more than three years younger than those who do not plan on buying.

The best markets geographically are the Middle and South Atlantic, South Central and Mountain states. The weakest markets in the upcoming year, says the MarkeTrends survey, are New England, North Central and Pacific areas. □

SALES TO REMAIN HOT FOR THE MICROWAVE

Consumers remain eager to purchase a microwave. While the majority of shoppers want a full-sized oven, a growing number of households express a desire for a smaller unit.

***Buying plans point to a bright future** as 4.6% of those polled say they definitely will purchase an oven within the next year.*

Consumer preference for microwave ovens is swinging away from full-sized models to units with smaller capacities.

This is apparent from a *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends study which also shows a sharp increase in ownership of microwave ovens along with a corresponding growth in use of microwave cookware during the past year.

This year, 72.5% of the households canvassed in the exclusive study say they own microwave ovens, up from 55.8% last year.

Similarly, microwave cookware ownership jumped to 72.9% in 1987 from 63.7% in 1986. What is more, consumer buying intentions for the cookware remains high with 5.4% of the consumers polled indicating they are definitely in the market for microwave accessories, and 22% considering themselves potential buyers.

Buying intentions expressed by households in the study also point to a bright future for the microwave oven industry. Some 4.6% of the those surveyed say they definitely will be purchasing an oven within the next 12 months, while 4.8% say they probably will and 5.5% say they might buy one during the coming year. In last year's study, the definites were 2.6%; probables, 2.1%; and maybes 3.7%

Heavy retail advertising of smaller size microwave ovens the past year has been effective, if the significant increase in consumer preference for more compact units is any indication.

Some 44.9% of the consumers in the current study say they favor smaller (than full-size) cavity units while 31.6% specify mid-size models. Last year 40.1% opted for smaller ovens, while 25.3% of the households wanted mid-size numbers.

The study also shows an increase in popularity of mini-size ovens. While 7.3% of those polled last year wanted these units, this year they are preferred by 8.8% of the respondents.

Despite the inroads, full sized microwaves still are fancied by nearly half the households (46.7%) in the survey. This, however, represents a sharp drop from last year when 58.6% wanted full sized models.

The prices that consumers expect to pay for their microwave ovens also reflect the trend to smaller sizes, as well as the heady price competition within the industry.

Heavy promotion of the category in the New York area, for instance, has featured models at prices as low as $99 for a full-size 1-cu.-ft. Toshiba unit at Macy's. In the main, though, smaller size models under 1 cubic foot have been touted from $119 to $159 with some full-featured full size numbers promoted from $179 to $299.

Thus, it should come as no surprise that consumers expect to pay less for microwave ovens this year than last. The median price in the current study is $300. Last year it was $400.

More significant, however, is the fact that 10.4% of the households say they expect to pay under $200 for a microwave oven this year, compared to 3% last year. By the same token, 13% of the consumers polled say they now expect to pay between $200 to $250, up from 10.9% last year. While slightly more (16.6% vs. 15.6% last year) now expect to pay $300 to $350 for their oven, fewer (6.4% this year, 9.2% last year) expect to pay between $350 and $400.

Probably one of the more telling statistics is the fact that 19% of the

Discounters tops in microwave cookware

Where do consumers purchase their microwave cookware?

One thing is sure, it is not necessarily the same place they buy microwave ovens. Another good bet is that the cookware purchase more than likely will be a single item made of glass.

In an exclusive *Chain Store Age*/Leo J. Shapiro & Associates study, 45.7% of the households polled say they head first for a discount chain in their quest for the growing cookware classification. This compares to the mass merchants' 11% share for ovens. K mart is specifically cited by 10.4% of the cookware buyers.

The Big 3 national merchandisers—Sears, Ward's and Penney's—the preferred outlets for ovens, on the other hand, are a distant second as the prime microwave cookware source. They are cited by 17.2% of the households. Sears is the big winner here, specifically named by 13.6%.

Department stores fare better on the accessories scene than they do in microwave ovens, where they were cited by 9.3% of the respondents.

Department stores are the favored microwave cookware outlets of 12.9% of those polled. Catalog showrooms were named by 3.3% of the consumers, while various other retail channels are noted by 8.7% of the consumers as their source for microwave cookware. Not answering are 12.1%

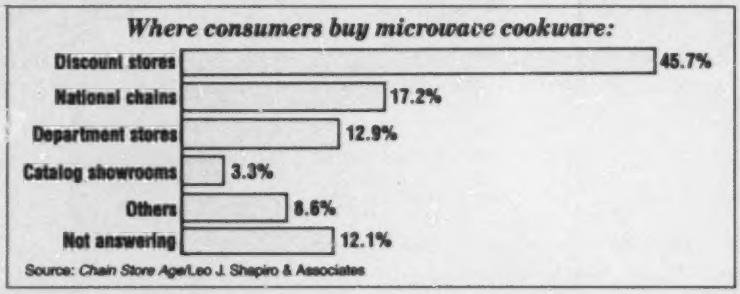
Most consumers (57.8%) in the survey who are planning to buy special cookware for their microwave ovens say they prefer that it be made of glass. Plastic, however, made a good showing, selected by 38.6% of the respondents. Only 1.5% of the consumers canvassed wanted paper accessories.

Indeed, disposable microwave cookware rated low with consumers in the MarkeTrends study. It was vetoed completely by 70.5% of the respondents. Only 5.4% say that it is likely that they will be buying disposable cookware for their microwave ovens, while 22% are numbered among the maybes.

With the strong consumer preference for glass microwave cookware in the study, it is understandable that Corning is the line consumers in the survey most want. Three brands—Corning Ware, Corelle and Visions—in aggregate were cited by 31.6% of the microwave cookware purchasers covered in the study. Another Corning line, Pyrex, was mentioned by 3.5% of the households.

The only other glassware brand to appear in the most wanted microwave cookware list was Anchor Hocking, which impressed 4.1% of the respondents.

On the plastic front, Rubbermaid, Tupperware and Nordic Ware are the stars, although they trail Corning by a wide margin. Rubbermaid is tops with 6.6% of the households canvassed, while Tupperware garnered 4% of the vote and Nordic Ware 1.6%. It should be noted that no plastic line appeared on the 1986 study's list of most wanted microwave cookware lines.



Like its top-of-the-stove counterpart, microwave cookware is primarily an item business. Just over one fourth (29.3%) of the respondents who own a microwave say they prefer to buy the cookware in sets. More than twice this number (66.9%) buy by the individual pieces.

In buying microwave cookware, the study shows the median amount per purchase to be $15. The largest number of respondents, or 16.3%, however, say they would expect to pay between $15 and $24.99 for their microwave cookware. At the same time, 13.7% say they would spend $5 to $9.99; 12.1% between $10 and $14.99; 10.9%, under $5. How many pieces would these purchases include? Though the median number in the survey is three, in most cases (29.9%) the consumer purchases only one item at a time.

respondents this year plan to pay more than $500. The figure was 25.2% last year.

A wide range of consumer brand preferences emerged in the survey. Of the 68.1% who were able to name a brand they would want to buy—a whopping 31.9% could not—the largest number (12.9%) came up with Sharp. Runner-up is GE, cited by 10.2%.

Amana, Sears/Kenmore and Panasonic made it a tight race for third, fourth and fifth spots, with 9.3%, 8.5%, and 8% of the votes, respectively. Rounding out the top seven brands are Litton preferred by 5.7% of the consumers and Tappan by 2.7%.

What are microwave ovens being used for these days? Reheating continues to be the primary function for 57.7% of the consumers canvassed. This figure was down from last year, however, when 59% of the household used their ovens for that purpose. By the same token, the study shows that microwave ovens are currently being used less for cooking. While 36.9% of the consumers cooked in the oven last year, 32.3% did so this year.

Interestingly, more households are using their microwaves for defrosting and boiling. Some 21.1% of the respondents in the current study say they use microwaves to defrost food, compared to 15.8% last year. Last year on the other hand, 3.9% of the respondents boiled water in their ovens, while 8.8% say the do so this year.

In terms of features, 77.4% of the households are aware of the programming capabilities of new microwaves. This enables food to be cooked in the oven when the user is away from home or in another part of the house. Of the consumers who expect to buy an oven within the next 12 months, 20.5% consider this a very important feature; 16.2% somewhat important; and 18.2% not important at all.

The defrosting aspect was more familiar—and more important—to consumers, with 87.8% of them aware of this capability. It was a very important feature to 55.7% of the prospective microwave oven buyers, and somewhat important to 22.3% of them. Only 8.7% did not consider the feature important at all.

The study shows that, unlike their quest for most small appliances, consumers do not head first for the discount store for microwave ovens. Only 11% of those queried expect to buy ovens in discount operations.

National chains—Sears, Ward's and Penney's—and appliance specialty stores are the preferred outlets. The national chains are the source of 28% of the sales (Sears garnering 22.5% of the volume), while appliance stores follow close behind with 24.7% of the votes.

Trailing in the microwave sales sweepstakes are department stores, favored by 9.3% of the respondents; electronics stores, 4.6%; and catalog showrooms, 1.8%. The "others" category was cited by 7% of the consumers; 20% did not answer.

Chain Store Age study has [illegible] up some interesting de[illegible].

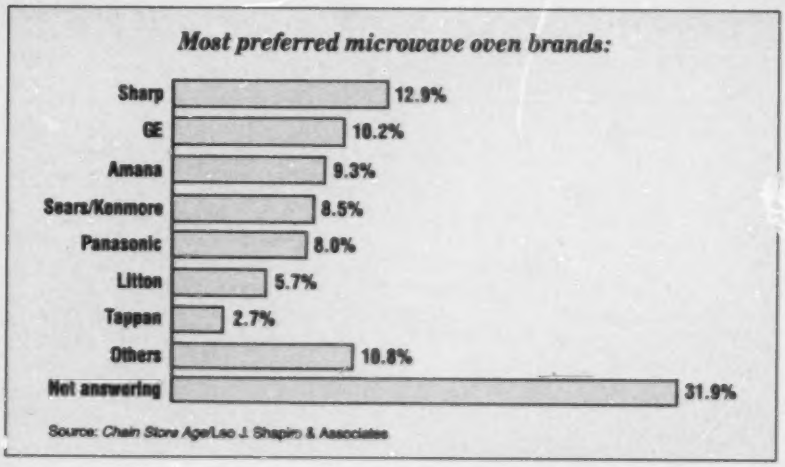
[illegible]s, for instance, that the larg[illegible] percentage (28.5%) of respondents who own microwave ovens fall into the $20,000 to $30,000 wage bracket. That income group also includes the largest number (35.2%) of prospective buyers.

In contrast, 18.8% of those canvassed who own microwave ovens are in the $30,000 to $40,000 income bracket and 12.5% in the $40,000 to $50,000 group. In these two income levels, 9.1% of the former and 9.4% of the latter say that they will very likely buy a microwave oven.

As for age of microwave oven owners, the largest number (14.2%) of the respondents are in the 35-to 39-year old bracket. Close behind are consumers between 25 and 29 years old (13.6%), and between 30 and 40 years old (13.4%).

Buying intentions, however, is highest by far (21.7 %) among consumers between 25 and 29. □

***The median price consumers plan** to pay has fallen to $300 from last year's $400.*



New tax rate boosts third quarter profits

Profits for 24 of the country's biggest retail companies were up 23% in the third quarter, just about equaling their performance for the year-to-date. A significant part of the gain for many, however, was a result of lower effective tax rates this year, and not due to either sales or margin increases.

A year ago, many retail analysts had predicted that tax savings would be passed on to the customer, but a weaker sales environment this year instead is prompting most merchants to bring those dollars down to the bottom line.

Federated Department Stores recorded a gain in net income for the quarter from $34 million last year to $56 million this year. But excluding an extraordinary item related to the early retirement of debt in 1986, the chain actually posted a drop in pretax earnings from $99 million a year ago to $96 million in 1987.

Federated chairman/ceo Howard Goldfeder attributed some of the weakness to a softening in demand for women's ready-to-wear apparel during the period, in addition to some business downturn related to the stock market crash in October.

"Although indications are that overall expansion in the general economy will be maintained in the months ahead," Goldfeder said, "recent market developments may affect consumer psychology in the fourth quarter."

Dayton Hudson's third quarter profits, which totaled $34 million this year compared to $32 million in 1986, benefited from both a reduced provision for taxes and extraordinary charges a year ago.

Earnings from continuing operations before taxes and the charge (related to early debt retirement in 1986) were down in the quarter to $60 million from $109 million the year before.

For the year-to-date, Dayton Hudson's profits are down 17% from year-ago figures. The chain's earnings have been pressured from a variety of sources this year, including a $5 million charge in the most recent quarter to cover costs with spinning off its B. Dalton bookstores and with its defense against a hostile takeover bid from the Dart Group.

At Sears, the nation's largest retailer, a $9 million drop in operating income for the Merchandise Group in the third quarter was attributable in part to a $20 million drop in finance charge revenues.

Most of the lost profits, due to customers using its Discover credit card at its stores instead of the Sears charge, moved to other parts of the Sears, Roebuck ledger.

At K mart, the nation's second biggest retailer, reduced tax rates turned a 9% pretax profit gain from continuing retail operations into a 24% hike in post-tax earnings. For the first 39 weeks of the current fiscal year, earnings are up 25% on an 8% sales gain.

Montgomery Ward profits jumped 62% to $21 million in the quarter. For the first three quarters of the fiscal year Ward earnings are $48 million, up $19 million or 66% from 1986 totals.

Profit performance led Moody's Investor Service to maintain Montgomery Ward P-2/A-2 senior debt ratings despite the December 31, 1987 expiration of parent company Mobil's support agreement. In addition, Ward's board in December declared a $50 million dividend—its first since 1979.

J. C. Penney, meanwhile, reported third quarter earnings up 48%, with nine-month profits ahead 46%. Unlike many other retail companies, Penney reported improvement in gross margins in the period.

Penney officials attributed the fatter margins to the heavier emphasis on family apparel. Earlier Penney announced it will discontinue selling electronics, hard sporting goods and photographic equipment to free up room for expanded women's apparel offerings.

Discounter Wal-Mart reported a 41% earnings hike in the third quarter, with profits ahead 43% for the 39-week period. Sales for both periods were up 36%. □

Third quarter earnings gain 23%

Chain	3rd quarter (000 omitted) 1986	1987	% change	Nine months (000 omitted) 1986	1987	% change
J. C. Penney	$116,000	$171,000	+ 47.6	$ 260,000	$ 328,000	+ 26.3
Sears	170,000	170,400	+ 0.2	378,300	372,500	− 1.5
Montgomery Ward	13,000	21,000	+ 61.5	29,000	48,000	+ 65.5
Subtotal	$299,000	$362,400	+ 21.2	$ 667,300	$ 748,500	+ 12.2
Ames	11,049	7,345	− 33.5	23,101	16,069	− 30.4
K mart	87,300	110,100	+ 26.1	297,300	371,000	+ 24.8
Rose's	6,205	6,112	− 1.5	16,493	16,877	+ 2.3
Sprouse Reitz	465	514	+ 10.5	1,581	1,626	+ 2.8
Wal-Mart	96,531	136,051	+ 40.9	265,786	380,511	+ 43.2
F. W. Woolworth	46,000	54,000	+ 17.4	97,000	120,000	+ 23.7
Zayre	22,876	21,136	− 7.6	45,182	120,380	+165.1
Subtotal	$270,426	$335,258	+ 24.0	$ 746,443	$1,026,463	+ 37.5
Carson Pirie Scott[1]	4,842	5,303	+ 9.5	(5,431)	(3,835)	N.M.
Carter Hawley Hale[1]	1,252	625	− 50.1	N.M.	N.M.	N.M.
Dayton Hudson	32,300	33,600	+ 4.0	107,600	94,700	− 12.0
Federated Dept. Stores	34,480	55,850	+ 83.9	116,348	136,012	+ 16.9
Higbee	1,444	2,720	+ 88.4	3,013	3,939	+ 30.7
May Dept. Stores	74,000	89,000	+ 20.3	168,000	214,000	+ 27.4
Mercantile	27,350	37,967	+ 38.8	63,120	83,043	+ 31.6
Subtotal	$175,668	$225,065	+ 28.1	$ 452,650	$ 527,859	+ 16.6
Pace Membership	345	703	+103.7	(1,517)	591	N.M.
Wholesale Club	(1,296)	(1,170)	N.M.	(2,318)	(2,596)	N.M.
Subtotal	$(951)	$(467)	N.M.	$ (3,835)	$ (2,005)	N.M.
Edison Brothers	7,100	5,100	− 28.2	16,300	(5,700)	N.M.
The Gap	21,279	18,634	− 12.4	39,897	47,925	+ 20.1
Ross Stores	(1,203)	1,394	N.M.	(8,015)	1,950	N.M.
Subtotal	$ 27,176	$ 25,128	− 7.5	$ 48,182	$ 44,175	− 8.3
Child World	1,018	2,184	+114.5	4,437	6,784	+ 51.8
Toys "R" Us	12,755	18,432	+ 44.5	36,157	49,606	+ 37.2
Subtotal	$ 13,773	$ 20,616	+ 49.7	$ 40,594	$ 56,390	+ 38.9
Total	$785,092	$968,000	+ 23.3	$1,951,334	$2,401,382	+ 23.1

[1]Continuing operations only [2]Consolidated operations only [3]Excludes unusual items [4]U.S. merchandising only
( ) Indicates loss N.C. No change N.M. Not meaningful
Source: *Chain Store Age* research

November sales gain a meager 8%

Sales for the 18 retail companies tracked by *Chain Store Age* gained only 8% in November, as retailers tried to fight off customer resistance to higher apparel prices, record-breaking levels of consumer debt and a delayed reaction to the October Black Monday stock market crash.

For the now 10-month-old fiscal year, combined volume for the 18 companies is 10% ahead of 1986 totals.

November's weaker than expected sales could portend lackluster fourth-quarter profit performance for many chains. Though merchants scrambled to cut back as many orders as possible in the days immediately following the stock market collapse in October, the actions may have been too late to avoid a highly promotional holiday selling season.

Early—and unplanned—markdowns were the norm in November. In the face of generally higher import prices and weak sales, the now seemingly inevitable result will be earnings declines for the year's final quarter.

Sears, the nation's largest retailer, reported comparable-store sales for the U. S. Merchandise Group gaining just under 1% in November.

Michael Bozic, Sears Merchandise Group chairman/ceo, nonetheless tried to find a silver lining in the month's otherwise cloudy results.

"Sales strengthened during Thanksgiving week," Bozic said, "ending the month on a positive note. We continue to be optimistic for the balance of the year."

J. C. Penney same-store results were up 3.8% in November, compared to the 4.8% pace set in the first 10 months. Penney chairman William R. Howell said that sales for the period were in line with plan and that promotional activities were normal for what he described as the "competitive holiday season."

Montgomery Ward, meanwhile, bucked the month's trend entirely. Volume in November was up nearly 8%, with same-store sales gaining a respectable 5%.

"We are encouraged by the strength we have seen this month in view of the recent problems in the financial markets," said Ward president/ceo Bernard F. Brennan.

Holiday sales pace slows

Major chains	% change	November sales* 1987	November sales* 1986	Stores 1987	Stores 1986	10-mo. sales* 1987	10-mo. sales* 1986	% change
Sears[1,2]	N.C.	$ 2,364,500	$ 2,363,700	813	806	$ 21,361,000	$20,844,200	+ 2.5
Penney[2]	+ 4.3	1,416,000	1,357,000	1,837	1,879	10,740,000	10,220,000	+ 5.1
Ward	+ 7.5	451,090	419,500	306	294	3,593,000	3,357,100	+ 7.0
May Dept. Stores	+ 5.5	985,800	934,400	2,920	2,744	7,990,300	7,369,400	+ 8.4
Dayton Hudson	+15.3	1,040,000	899,000	577	418	7,880,000	6,880,000	+ 14.4
Federated[3]	+ 0.9	817,600	810,600	532	502	6,838,900	6,529,500	+ 4.7
Carter Hawley Hale	+ 0.7	246,900	245,200	112	112	2,021,900	1,944,200	+ 4.0
Mercantile	+ 4.6	217,800	208,300	79	82	1,664,300	1,567,900	+ 6.1
Carson Pirie Scott[4]	+ 33.5	100,000	74,901	N/A	N/A	703,200	599,483	+ 17.3
K mart[1,5]	+ 6.4	2,043,300	1,920,000	2,221	2,204	19,153,300	17,827,500	+ 7.4
Wal-Mart	+25.5	1,598,000	1,273,000	1,113	1,026	12,557,000	9,336,000	+ 34.5
Zayre	+15.3	618,900	536,900	1,161	1,097	4,919,500	4,175,100	+ 17.8
Woolworth[2]	+ 4.3	333,000	319,000	N/A	N/A	3,245,000	3,019,000	+ 7.5
Ames	+17.5	212,500	180,900	482	458	1,667,300	1,473,900	+ 13.1
Bradlees	+ 6.0	213,000	201,000	171	162	1,567,000	1,429,000	+ 10.0
Tandy[2]	+ 6.1	316,127	297,911	N/A	N/A	2,436,245	2,200,947	+ 10.7
Circuit City	+31.1	149,600	114,100	101	88	958,700	705,000	+ 36.0
Best Buy	+98.3	47,600	24,000	40	23	298,800	143,454	+108.3
Totals & Averages	+ 8.2	$13,171,627	$12,179,412	—	—	$109,595,445	$99,621,684	+ 10.0

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

In particular, Brennan cited appliances, electronics, home furnishings and accessories as the month's sales leaders. Southern California and the Pacific Northwest, said Brennan, reported the biggest increases.

Wal-Mart's 26% sales gain in November, however, was offset by a 4% increase in same-store results. For the first 10 months of the fiscal year, the Bentonville, Ark.-based discounter recorded volume ahead 35%, with comparable-store totals up 11%.

The unexpected weakness in Wal-Mart's November sales sparked Wall Street's first-ever loss of confidence in the chain in early December.

Traders had bid Wal-Mart up on the theory that the discounter benefited from economic hard times. Now that the bromide looked untrue, traders began to bid down Wal-Mart's shares.

It was a tumble in Dayton Hudson's stock, meanwhile, that had saved its management from what probably would have been a protracted fight with the Dart Group for control of the company. The plunge in the company's stock price allowed it to buy back enough shares to help discourage any further takeover efforts.

Same-store results were down 5% in November at Dayton Hudson's Target discount store division. The department store division recorded volume dipping 11%. Mervyn's, meanwhile, posted a 6% comparable-store gain. Same-store results at Lechmere gained 7%. □

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